

we. *First Copy*  
*Opinions of National Leaders on the Business Outlook* Page 24

# CREDIT

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DEC 1929

## MONTHLY

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*The Credit Policies of the Treasury Department*  
*An Interview with Secretary Andrew W. Mellon*

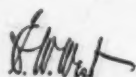
# PILOTS OF PROSPERITY

During the last few weeks the country has been passing through what has been characterized by many business and financial leaders as a "psychological panic."

Those who are familiar with economic conditions are wholly confident that the foundations of our prosperity are fundamentally sound and that if any real damage is done it will be due to the continuance of a wrong "state of mind" on the part of the public.

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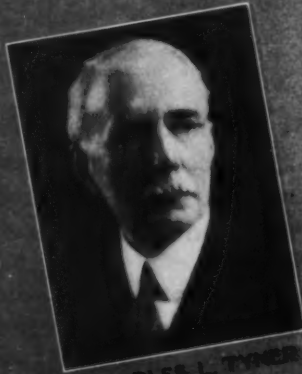
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THE NATIONAL MAGAZINE OF BUSINESS FUNDAMENTALS

# CREDIT

MONTHLY

ONE PARK AVENUE, NEW YORK

RODMAN GILDER, Editor

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MONTHLY  
Dec., 1929

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Vol.  
XXXI  
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## Personal Opinions

### Bulls, Bears, etc.

THERE ARE NO STATISTICS to show how many, if any, members of the credit fraternity suffered irreparable losses in the recent stock market crash. Judging from the information in hand, however, credit executives came through with a minimum of personal distress. We were justified perhaps in the hope expressed on this page in October as follows:

"Is there any business man whose daily task calls for more accurate sizing up of future probabilities, shrewder analysis of facts, more realistic thinking than the credit executive? Then, is it not reasonable to hope that 'if, when and as' the stock market as a whole declines, it may be found that those who have demonstrated the greatest foresight and self control are members of the profession of Credit?"

The financial executive of an important manufacturing company made this remark last August in the office of the CREDIT MONTHLY:

"It is amazing how few stock speculators know when to cash in on their winnings. It's the old story—the bull or the bear and even the lamb may win, but the animal that always loses is the hog."

### No Less than 100 Cents!

ELEVEN MONTHS AGO the textile trade group of the Cincinnati Association of Credit Men—including makers of dry goods, furnishings, notions, and boots and shoes—made a drastic decision to accept in settlements no less than 100 cents on the dollar. Following this example, 50 per cent. of the entire membership of the Cincinnati Association also agreed to follow this policy. In answer to a query as to the outcome of this action, J. J. Mitchell, Chairman of the Textile Group, writes:

"We lost some business, of course, but of the sort we can well afford to lose. For example, a merchant in West Virginia decided that it was time to conveniently go broke and dispose of his stock, move elsewhere and start anew, probably working this fraud on manufacturers in other cities. He owed a bill of \$77 in Cincinnati. He was advised that the Cincinnati concern would not accept his offer of 20 cents on the dollar, and within three days the whole \$77 was paid. A Texan offered a settlement of 35 per cent. to a Cincinnati shoe concern. He was informed of the Cincinnati resolution and paid the entire amount of his bill, while creditors in other cities accepted partial settlements. In one nearby town certain merchants resented the Cincinnati policy. They held an indignation meeting. Imagine, merchants banding together to oppose the payment of honest debts! These merchants were invited to deal elsewhere.

"We accept compromises only when liquidation is necessary, and it is definitely known that the merchant is going out of business for all time. We will grant no compromise if the merchant is merely liquidating his business in order to get a fresh start.

"An investigation had disclosed that colossal losses over a period of three to four years could be prevented by no com-

promise. The wholesaler is cutting his own throat by selling merchandise at no profit to those who fail, and is defrauding as well the honest retailer who because a competitor closes out for 40 cents on the dollar is forced to dispose of his stock at a loss. Why shouldn't wholesalers co-operate to check this abuse?"

Why shouldn't they?

### The Credit Manager as a Producer

A SALE IS NOT COMPLETE until the goods have been delivered and paid for. This fact needs to be re-stated whenever someone with a distorted view of merchandising disparages the importance of the Credit Department.

In the modern business organization the Credit Manager is of such obvious value to the Sales Department at so many stages of a sale that there is no question of hostility between the departments.

The Credit Manager, however, may sometimes wish that his efforts were expended in work that is more generally recognized as "productive," and the man who feels this is strongly attracted to the principle of Business Service.

The practitioner of Business Service gets out among his trade and shows the unskilled retailer how to be a better merchant. He gives him the medicine he needs—teaches him bookkeeping, display, selling, collection, or buying—and incidentally makes him a prompt-paying and loyal customer:

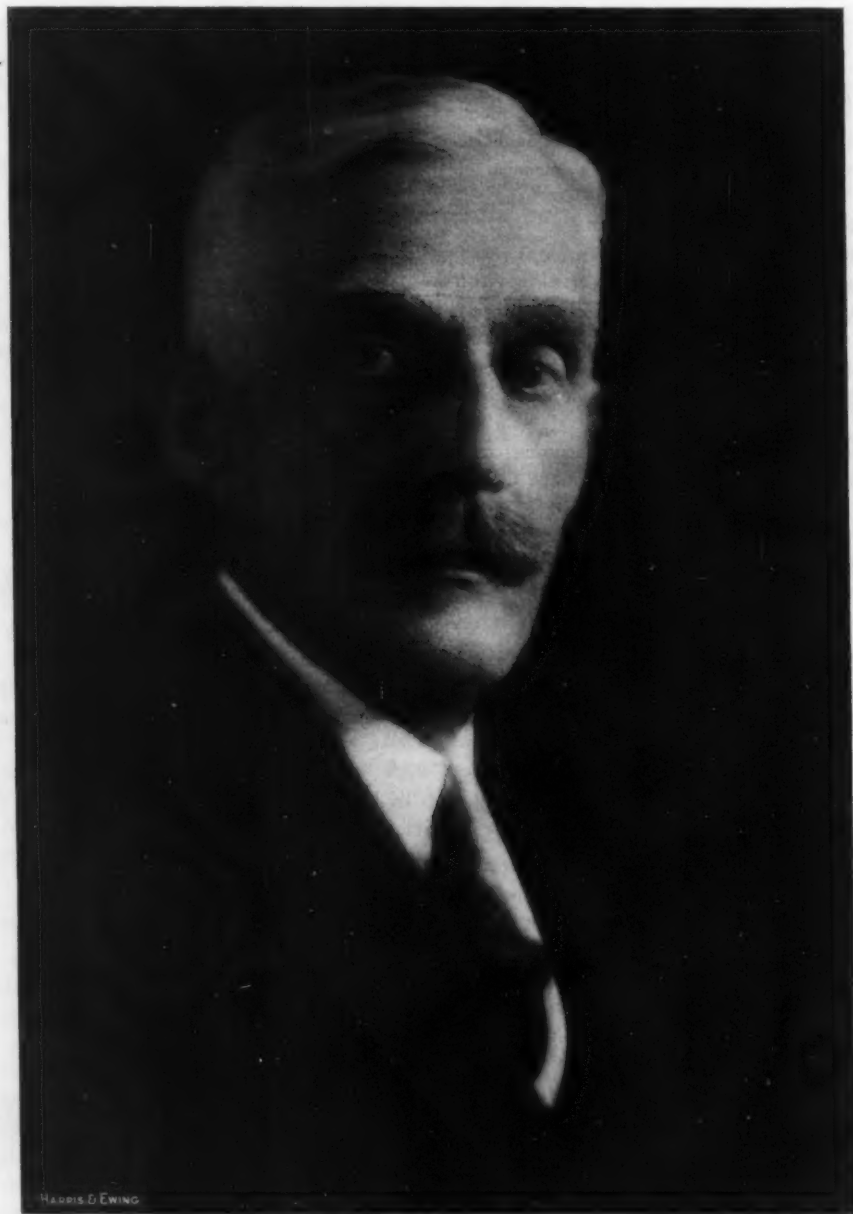
A leader of the credit fraternity remarked the other day, "I'd like to see every Credit Manager in the United States go in for Business Service. When the Credit Manager practices Business Service he has definitely become a producer."

### Psychology of the Bankrupt

THE PSYCHOLOGISTS have been giving attention to salesmanship for at least twenty years. And now in the realm of credits, we have the psychology of bankrupts becoming the object of systematic study by Professor Wm. O. Douglas, director of the newly established Institute of Human Relations of Yale University. In Newark, N. J., Professor Douglas and several of his associates, together with Dr. W. C. Plummer, of the University of Pennsylvania, who represents the U. S. Department of Commerce, are making a clinical investigation into the psychology of bankrupts and the causes of business failure. The work is going forward under the supervision of Judge William Clark in the Federal Court in Newark, and has the active co-operation of the North Jersey Association of Credit Men. The plan is to accumulate data in this and other bankruptcy clinics, until 2,000 cases have been studied.

The human side of credit analysis is more subtle and more difficult than the mere analysis of figures. We may therefore look forward as a result of this investigation to information of genuine scientific value for the guidance of those whose difficult task it is to appraise credits.

PS



ANDREW W. MELLON  
THE SECRETARY OF THE TREASURY  
UNDER THREE PRESIDENTS



# The Credit Policies of the United States Treasury

described for the CREDIT MONTHLY in an interview with Chester H. McCall

*By Secretary Mellon*

**B**EFORE the Treasury Building in Washington stands the bronze statue of Alexander Hamilton, a slim, handsome boyish figure of the man who was Secretary of Treasury while still in his twenties. When night has fallen and the Treasury Building is a great, dark mass of shadows, the statue of Alexander Hamilton leaps out vivid and distinct from the circle of lights that surrounds it, the bronze incarnation silhouetted against the dark background as clearly as Hamilton is outlined on the horizon of American history.

Andrew W. Mellon, the present Secretary of Treasury, stands out as clearly against the contemporary background of business, government and finance. He is the only Secretary of Treasury who has served continuously under three presidents—having been appointed by President Harding when the after-war financial deluge was descending on the Treasury Department. His achievement in reorganizing the country's finances and handling the public debt stands as an almost unequalled epic in financial management, for the accomplishments of Alexander Hamilton and John Sherman are the only achievements comparable to Mellon's.

## *Holds Public Confidence*

The present incumbent is the wealthiest man who has been Secretary of the United States Treasury, and he is also one of the wealthiest men in this country. There have been but few whispers of selfish motives and personal ends and these have come through political sources and in one or two cases from those who have had a personal grudge. One of Mellon's policies has been the reduction of the super-tax on the larger incomes and it is an eloquent tribute

that the public should show such extraordinary confidence in his official integrity. There is no doubt that few public officials have held the confidence of the people as Mellon has held it.

Andrew W. Mellon was born in Pittsburgh seventy-four years ago. His early education was under the direction of his father, Judge Thomas Mellon, and in the public schools of Pittsburgh. He also attended the University of Pittsburgh as a member of the class of 1873.

After leaving college he engaged in the realty and lumber business in Allegheny County, Pennsylvania, with his brother Richard B. Mellon. Later he became associated with his father in the private banking business of Thomas Mellon & Sons. Upon the retirement of his father from active business in 1886, the two brothers assumed personal management of the banking business which later became the Mellon National Bank. A few years later the Mellon brothers and their associates organized the Union Trust Company of Pittsburgh and later the Union Savings Bank of the same city.

Mr. Mellon has long been closely allied with many public and charitable institutions, and with his brother founded in 1913 the Mellon Institute of Industrial Research, for the purpose of conducting skilled research and investigation into physical science and technology as an aid to industry.

On March 4, 1921, he became Secretary of Treasury. Before assuming office he resigned as President of the Mellon National Bank, and severed connections with the many financial, commercial and business enterprises with which he was identified.

The American mind likes to com-

pare the great personalities of this country's history and progress. It is therefore natural that an oft-repeated question should be, "Which has been the greater Secretary of the Treasury, Alexander Hamilton or Andrew Mellon?" Any comparison would be inept because there is no common measure for their achievements.

## *Hamilton and Mellon*

Hamilton, the boy genius, was faced with the problems of organizing and instituting the Treasury Department, and establishing the basic principles upon which the financial future of our government was to depend. He was also beset with the worries of financial reconstruction and stabilization following the Revolutionary War. How he met his problems with unerring vision and judgment is history.

In the days just after the Revolutionary War a debt of sixty million dollars with an interest charge of less than five million dollars a year constituted a problem of the first magnitude. The country at that time had slender resources and inadequate financial machinery.

When Mellon took office, the cost of running the government for the preceding fiscal year had amounted to \$6,482,000,000. Obligations approximating \$7,500,000,000 were maturing within two and a half years. At the end of five years of his administration of the Treasury, the annual budget had been reduced to \$3,585,000,000, and the short-dated debt of \$7,500,000,000 had either been retired or refunded into more manageable securities. Over the same period the public debt was reduced from \$23,977,000,000 to \$19,643,000,000. To-day it has been reduced well below \$17,000,000,000.

This man who translated his policies so forcibly into financial success could not, I had heard, readily translate himself to anyone meeting him—he was cold and difficult to become acquainted with. But just as surely as light and heat emanate from the sun, power and personality radiate from Andrew Mellon.

It was several years ago that I first met him—in a most unusual and informal way. A friend and I were walking past the Biltmore Hotel in New York when I recognized Secretary Mellon coming out of the hotel. He seemed to see no one and evidently wanted no one to see him for he disappeared around the corner in as brisk a walk as I have ever seen a man of seventy maintain. I had always wanted to meet Mr. Mellon and as no one was around to introduce me I decided to introduce myself. Asking my friend to wait I took after the Secretary, following him several blocks and finally nearing him on Fifth Avenue. "Mr. Mellon, wait a minute", I called, pantingly. He stopped short and looked around. "Sir," I said, approaching him, "I recognized you as you came out of the Biltmore and I have been trying to overtake you to shake hands with you." Without a trace of annoyance at my youthful importunity, "I am very glad to see you," he said smiling, as he shook my hand. "I regret that an appointment which I am hurrying to keep prevents my stopping to talk with you. I hope I may have the pleasure of meeting you again." He shook my hand and was gone.

When, by appointment, I walked into his office in the Treasury Building in Washington, I was impressed as forcibly as I had been at my first meeting with Mr. Mellon. At the right, over a fireplace, is a portrait of Alexander Hamilton facing the

window through which his bronze statue can be seen. The Secretary's desk faces the door through which the visitor enters, and one immediately receives two impressions—the slender, gray haired Secretary and the White House grounds through the window at his back. With the sunlight streaming in there could be found no more pleasing a picture than the comfortable but unostentatious office where one of America's greatest financial geniuses directs the Treasury policies of the world's richest country.

### **Balancing the Budget**

If any official in Washington is actually in love with his job he is Andrew Mellon. He answers questions about the Department as quickly as you can snap your finger. Running the Treasury is his business and his hobby and he puts into his one job the best that most men put into both their profession and their avocation.

The basic duty of the Secretary of Treasury is to maintain and enhance the credit standing of the United States government. The first question put to the Secretary was therefore, "What are the major financial policies upon which the credit structure of the Treasury is based?"

"The first policy," Mr. Mellon said, "is the balancing of the budget. Expenditures must always be kept within the revenues. Another policy is the payment of the Public Debt. A third is the levying of the lowest taxes consistent with the government's requirements. And still another is the support of the Public Credit."

"You spoke first of the balancing of the budget. Do you consider that the most important of these policies?"

"They are all important, but certainly a balanced budget is not only

fundamental to any sound administration of the finances, it is, in our own case, a policy that has been followed since the government was first established. We have always believed in this country that the piling up of debts for current expenses, except of course in time of war, is strictly to be avoided. While this policy was very generally followed, there was no way of knowing, until the Budget System was established eight years ago, just what our expenditures would be. Each Department appealed to Congress and secured whatever it could in the way of appropriations. But this has all been changed since the Budget System was put into operation. Congress has recognized the importance of a balanced budget and has adhered closely to the policy of keeping appropriations well within the budget estimates."

"Do the next two policies you have mentioned—that of paying the Public Debt and keeping down taxes—dovetail into each other as far as results are concerned?" was the next question.

"Yes, to a very large extent," the Secretary answered. "The service on the Debt—that is, payment of interest and reduction of the principal—imposes a heavy drain on the revenues. In fact the interest charges alone in the last fiscal year constituted nearly one-fifth of the entire budget. It is obvious, therefore, that when the debt is paid off entirely, this burden on the revenues will be removed and we can expect to see a very great reduction in taxes."

"Considerable progress has already been made in that direction, has it not?"

"Yes," said Mr. Mellon, "the debt today is ten billion dollars less than at its peak in 1919, and interest  
(Continued on page 29)

## **Full Confidence in the Immediate Future of American Business**

**SECRETARY MELLON**, commenting on his recommendation to relieve taxpayers immediately of \$160,000,000 in taxes, says that no such recommendation would be made "in the absence of full confidence in the immediate future of American business."



## The Conscience Fund of the U. S. Treasury

By Hayden Strange

**W**ITHIN every man burns that spark of personal pride in oneself called conscience. In some it blazes up like the brightest star, in others it barely blinks like the dimmest ember. The conscience element in character is perhaps the most important character quality that determines whether or not a man is a good credit risk.

Many people liquidate debts for the sole reason of lessening the burden on their conscience. The economic justification of the debt is subsidiary. The amount paid is conscience money, that is, money paid or given to quiet one's conscience.

About a month ago John Brown's conscience troubled him too much for personal comfort. John Brown, of course, isn't his real name, but that is the alias he gave when he sent a twenty-five dollar money order to Andrew W. Mellon, Secretary of Treasury, in payment of a sum of money he had stolen from the government.

Obviously, the government could not acknowledge the receipt of his money in the regular way, so the acknowledgment was made through the press in Washington, and thence relayed to newspapers throughout the United States. Probably half a million people read the government's

acknowledgment to "John Brown of New York City" for the twenty-five dollar money order which squared his account with the government—and doubtless with his conscience.

This payment was credited to the Treasury under what is popularly known as the "conscience fund." This fund is maintained for the receipt of contributions from those who feel that they have defrauded or swindled the government, and who want to ease and satisfy their consciences by a money payment.

In conscience moneys, \$577,203.31 had been paid into this fund up to June 30, 1929. The United States government is therefore over half a million dollars richer because these people's consciences have hurt them so much that they could not have peace of mind until they had evened the score with Uncle Sam.

The first contribution of this kind was received by the United States Treasury in 1811, during President Madison's administration. The amount was for five dollars, and the note accompanying the conscience contribution said, "I have cheated the government out of five dollars. I am deeply sorry. This will square matters."

During the next sixteen years fewer people succeeded in "beating" the

government or else no acute pains of conscience were suffered, because it was not until 1827, that another contribution—of six dollars—was received from an unidentified person who wrote, "my conscience hurts."

In the hundred years that followed the receipt of that first eleven dollars the conscience fund has received from a one cent stamp to twenty thousand dollars in cash.

One of the largest payments, amounting to more than \$14,000 was handed to the American Consul in London by an English clergyman, who delivered it on behalf of one of his communicants who had swindled the United States government out of that sum.

Two Civil War veterans didn't feel that four years of fighting for the perpetuation of the Union compensated for thefts they had committed during the Civil War. One soldier had taken a horse blanket belonging to the Federal Army and more than a quarter of a century later sent in five dollars to cover his defalcation of 1863. From a Civil War veteran in Greencastle, Indiana, the Treasury recently received a payment of \$200 for a mule he had stolen from the government during the war.

Religious motives have prompted



many contributions to the conscience fund. Frequently money is forwarded by clergymen at the request of penitents in their congregations. A note sent by one contributor, with his money, read, in part, "The Holy Bible up to a short time ago was a closed book to me. I now well understand the gravity of my act and this money is a token of repentance." Another contribution was accompanied by a torn piece of wrapping paper on which was written,

"He that troubleth his own house shall inherit the wind: and the fool shall be servant to the wise of heart."

PROVERBS 11-29.

More contributions have been received by the Treasury for the use of cancelled stamps than for any other reason. The next largest source is through the Bureau of Internal Revenue. The Bureau often sends money to the Treasury which has been received from citizens who have evaded import duties. A young man sent in one hundred dollars, saying that the duty on the watch he had purchased in Europe had not been

declared, and that the oversight of the customs officials annoyed his conscience. The third largest source of revenue to the conscience fund is those who have not paid all of their income taxes, and who want to satisfy their consciences by an anonymous payment.

Restitution, however, does not always salve the conscience. This is shown by the fact that one man who had already paid the government double for what he had stolen, sent in another contribution because "my conscience is not satisfied, and I am sending in more to ease it."

The term "conscience fund" is an unofficial designation. The moneys received as conscience payments are not held apart, but are credited to the Treasury account "Moneys Received from Persons Unknown," and as such go into the regular Treasury funds.

Many who have known of the existence of the conscience fund have wanted to use the money in the fund for specific purposes that would serve as an atonement in the religious and moral sense for those who

had wronged and cheated the government. Several have thought that this money contributed by repenting sinners should be turned back to the cause of saving other sinners.

One man wrote to the Treasury Department and argued that, since these moneys had been contributed because of "sin," it would be just and righteous for the Treasury to extend him a loan of \$20,000 from the conscience fund to help finance the construction of a beautiful church building. He also offered to give a first mortgage on his property as security for the loan.

The letter of polite refusal from the Treasury Department pointed out that moneys once paid into the Treasury Department, even if they get in by error, can be recovered only through an appropriation by Congress.

Since the invention of writing, men have been declaring, in one way or another, that no agony is quite so great as the agony of a guilty conscience. The truth of this is borne out by the story of the conscience fund of the Treasury Department.

## Science Looks At Bankruptcy

**D**URING the past year, the subject of bankruptcy, long a matter of greatest concern to heads of Credit Departments, has been brought to the forefront of public questions as probably never before. The many articles which the CREDIT MONTHLY has published, giving the opinions of credit managers and other experts on the bankruptcy law and bankruptcy procedure, indicate the careful thought that is being given to the handling of bankruptcy cases. The bankruptcy scandals brought to light last winter in the Northern District of New York focussed public attention upon bankruptcy administration. The publicity given the investigation begun last February by the U. S. Department of Commerce to determine the causes of retail failures has stimulated widespread interest among business leaders in lessening the chances of bankruptcy and has thus carried the whole matter a step further toward improvement.

On Armistice Day, an announcement was made that reveals the most constructive attitude yet taken toward

the bankruptcy evil and gives hope of eventually bringing greater peace and security to credit managers, who are most vitally affected by this demoralizing influence in business. The announcement came from William L. Cooper, Director of the Bureau of Foreign and Domestic Commerce and from President James R. Angell, of Yale University, and was to the effect that, beginning November 21, the Department of Domestic Commerce, the Yale Law School, and the Yale Institute of Human Relations would undertake a study in Newark of all bankruptcy cases in New Jersey for one year, co-operating with the North Jersey Association of Credit Men and with Judge William Clark, of the United States District Court of New Jersey, who has been conducting for the past year personal studies which have come to be known as a bankruptcy clinic.

United States Department of Commerce specialists, under the direction of Dr. W. C. Plummer, of the Wharton School of Commerce, assisted by George D. Robbins, will conduct an investigation of retail cases from the

economic point of view. They will study basic facts, such as the kinds of business involved, the form of organization, sources of capital and credit, assets, liabilities, and the original capitalization, detailed by sources of capital. They will also inquire into the bankrupt's use or non-use of credit bureaus, his previous experience, his practices with regard to inventories, the source of his financial difficulties, his business customs, and the opinions of interested persons as to the causes of his failure.

### Psychologists Called In

The Yale Law School staff and students will analyze the handling of all cases from the point of view of legal processes—the cost of liquidation by different methods, the length of time required, and the obstacles encountered.

Representatives of the Yale Institute of Human Relations will examine the data obtained in an effort to throw light upon the relationship to business failures of such factors as physical and mental health, morals,



education, home and community conditions, and industrial and economic developments. In about 200 cases, the medical, psychiatric, psychological, and sociological histories of the individuals concerned will be studied by Yale experts in these various fields. Professor William O. Douglas, of the Yale School of Law, is director of the study for the Institute of Human Relations.

It is expected that, as a result of the co-operative survey, methods for improving the administrative machinery for handling insolvencies may be suggested, and that further checks on dishonest practices in the business world may be worked out—a consummation devoutly to be wished by all business men but most especially by the members of the credit fraternity.

That the irritating legal technicalities which often obstruct the straightening out of a bankruptcy tangle are not confined to the courts of the United States has recently been brought out by a British play, imported to New York, subtly satirizing the inefficiency of the English bankruptcy courts. The play, "Many Waters," which in New York proved to be more of a stage triumph than success, dramatized in one scene the sorry plight of an unfortunate bankrupt haled into court to defend his position, only to be overwhelmed by the far-fetched arguments and meaningless technicalities with which the

registrar and lawyers obscure the vital factors in his situation.

The striking but measured irony of this episode, so different from the usual courtroom scene of the drama, led Robert Littell, dramatic critic of the New York World, to comment, "The victim who has honestly muddled his way into a shady business mess sits in the middle of this ironic fog, watching it drift about the stuffy room, with the resignation of incomprehension. . . . Any one who has ever been a witness or sat on a jury, or merely followed some uncelebrated civil suit from a back bench, knows the sense of incoherent helplessness which pervades that strange scene in Monckton Hoffe's play. To the victim, the involved procedure, the elaborate etiquette and rules of a scoreless game seem woefully beside the point. The unconcerned onlooker also knows that most of what he is hearing is beside the point, but often he could not for the life of him tell what the point was."

It was the absence of these unreasoning and inhuman formalities in Judge Clark's handling of insolvency cases that brought his bankruptcy clinic to the attention of Yale officials and to Secretary of Commerce, Lamont, and led to formulation of plans for the Newark inquiry. Although it was only a year ago that Judge Clark began to examine bankrupts personally to determine the economic causes of their failures, he had for a long time previously been

contemplating some such step.

"Since my appointment four years ago," said Judge Clark in an interview printed in the World, New York, "I have been impressed with the fact that all efforts to improve bankruptcy practice have been directed to salvaging the wreck, preserving and securing the remaining assets rather than to determining the economic rocks and shoals upon which the vessel has been driven ashore. That this should be so seems to be contrary to the modern conception of the treatment of human ills by prevention rather than cure.

"Now that we shall have a trained economist from the Department of Commerce, and physicians and sociologists from the Yale Institute, we hope to determine both the economic and personal causes which have brought about bankruptcy in a very large number of cases. We further hope that the analysis of these causes and their publication in the business world generally may be of material assistance in preventing or, at least, in diminishing similar conditions in the future.

"It may also be that such an analysis will show that our present bankruptcy system releases for the field of commerce individuals whose business standards are either too careless or too unethical and that, therefore, our laws on this subject should be brought more nearly in conformity with those of the rest of the world."

—Eleanor Boykin.



In this scene from Monckton Hoffe's play "Many Waters", produced this season in New York by Arch Selwyn in co-operation with the English producer, Charles B. Cochran, Ernest Truex plays the role of an unfortunate bankrupt (at the Registrar's left,) whose presence in a London Bankruptcy Court is forgotten while the presiding Registrar, lawyers, the Official Receiver and finally the creditors engage in wrangling over absurd technicalities. When once the bankrupt smiles in a bewildered way at the turn events have taken, the Registrar takes notice of him long enough to say in austere tones, "Yes, if you will allow me to say so, life is rather a serious thing, Mr. Barcaldine, and the sooner we realize it the better."

# Organization Plan Completed

## Of the Bank for International Settlements

**T**HE committee to organize the Bank for International Settlements under the Young Plan for reparations settlement has prepared a charter and statutes, published November 15, and a trust deed, published November 27. The general purposes of the Bank were described in the October issue of the CREDIT MONTHLY, and the charter is printed herewith.

With a capital of 500,000,000 Swiss francs (about \$96,896,500) the Bank will be located at Basle, Switzerland. It is to be directed by a board consisting of the governors of the Central Banks of Belgium, France, Germany, Great Britain, Italy and Japan. The United States will be represented by private American bankers whose appointment will be subject to the veto of our Federal Reserve Board which, however, is itself not empowered to take part in the direction of the Bank. It seems probable that an American will be president and a Frenchman manager of the Bank.

The primary object of the Bank is to handle reparations payments made by Germany under the Young Plan, as well as to mobilize certain parts of such annuities.

### Non-Political, Says Traylor

Melvin A. Traylor of Chicago, American member of the organization committee, has declared that there is no likelihood that the Bank will develop into a political organization. One of the safeguards against such development is Article XX of the statutes of the Bank which provides that

Operations of the bank shall be in conformity with the monetary policy of the central banks of the countries concerned.

Before any financial operation is carried out by or on behalf of the bank on a given market or in a given currency the board shall afford to the central bank or central banks directly concerned an opportunity to dissent. In the event of disapproval being expressed within such reasonable time as the board shall specify the proposed operation shall not take place. A central bank may make its concurrence subject to conditions and may limit its assent to a specific operation or may enter into a general arrangement permitting the bank to carry on its operations within such limits as to time, character and amount as may be specified. This article shall not, however, be read as requiring assent of any central bank to withdrawal from its mar-

ket of funds to the introduction of which no objection had been raised by it. . . .

In the latter part of this month, there will be held a second Hague Conference for the purpose of putting in treaty form the principles laid down in the charter, the statutes, and the trust deed of the Bank.

The text of the charter follows:

### Charter of Bank for International Settlements

Whereas the powers signatory to the final protocol of — have by said protocol adopted the plan which contemplates the founding by the central banks of Belgium, France, Germany, Great Britain, Italy and Japan and a financial institution of the United States of America an international bank to be called the bank for International Settlements:

And whereas the said central banks and Messrs. — have undertaken to found the said bank and have guaranteed or arranged for guaranty of the subscription of its authorized capital amounting to the equivalent of \$100,000,000 divided into 200,000 shares:

And whereas Switzerland has entered into a treaty with the inviting powers whereby Switzerland has agreed to grant a charter for the purpose of incorporating the said bank and not to repeal, amend or supplement said charter excepting on agreement with the said inviting powers:

Now be it enacted:

1. The Bank for International Settlements (hereinafter called the bank) is hereby incorporated.

2. Its constitution, operations and activities are defined and governed by the annexed statutes, which are hereby sanctioned.

3. Amendment of articles of the said statutes other than those enumerated in Clause 4 hereof may be made and shall come into force as provided in Article 59 of said statutes, and not otherwise.

4. Articles 2, 3, 4, 9, 15, 20, 25, 28, 46, 53, 56, 59 and 60 of the said statutes shall not be amended except subject to the following conditions: The amendment must be adopted by a two-thirds majority of the board, approved by a majority of the general meeting and sanctioned by a law supplementing the present charter.

5. The said statutes and any amendment of them in accordance with Clause 3 or 4 hereof, respectively, shall be valid and operative notwithstanding any inconsistency therewith in the provisions of any present or future law relating to corporations.

6. The bank shall be exempt and immune from the following categories of taxation: (a) Stamp registration and other duties on all deeds or other documents relating to the incorporation or liquidation of the bank. (b) Stamp and registration duties on any first issue of its shares by the bank to a central bank, financial institution, banking group or underwriter at or before the time of incorporation or in pursuance of Article 7 or 9 of the statutes. (c) All taxes on the bank's capital, reserves or profits, whether distributed or not, and whether assessed on profits of

the bank before distribution or imposed at the time of distribution under the form of a coupon tax payable or deductible by the bank. This provision is without prejudice to the state's right to tax the residents of Switzerland other than the bank as it thinks fit. (d) All taxes upon any agreement which the bank may make in connection with the issue of loans for mobilizing German annuities and upon the bonds of such loans issued on a foreign market.

7. All funds deposited with the bank by any government in pursuance of the plan adopted by the final protocol of — shall be exempt and immune from taxation, whether by way of deduction by the bank on behalf of the authority imposing the same or otherwise.

8. The foregoing exemptions and immunities shall apply to present and future taxation by whatsoever name it may be described and whether imposed by the state or by provincial, municipal or other authorities.

9. The bank, its property and assets and all deposits and other funds intrusted to it shall be immune from any disabilities and from any restrictive measures such as censorship, requisition, seizure or confiscation in time of peace or war reprisals and prohibition or restriction of gold or currency export and other similar interferences, restrictions or prohibitions.

10. Any dispute between the government of Switzerland and the bank as to the interpretation or application of the present law shall be referred to the interpretation of a tribunal established under the London agreement or as constituted by the final protocol of —.

### Foreign Trade Figures

**D**ATA compiled by the National Foreign Trade Council show a record year for both American exports and imports up to October 1, surpassing any corresponding period since 1920. During the first nine months of the current year, American exports have totaled \$3,849,000,000 or 292 million dollars greater than in 1927, the next highest total for this period. Imports for the same period at \$3,361,000,000 are likewise larger than for any year since 1920. The export gain of 9 per cent. and the 10 per cent. gain in imports indicate the largest growth of our foreign trade in any single year since the war.

A release from the Department of Commerce at Washington says that the most gratifying phase of this foreign-trade advance has been the steady rise in exports of finished manufactures. Up to August 1, these totaled 53 per cent. of our entire exports, compared with the average proportion of only 31 per cent. which they bore to our export trade as averaged for the years 1911-1913.

# The Log Jam

By Stephen I. Miller

INDUSTRIAL development in early America followed the course of waterways. Up the Hudson, the Mohawk and the rivers of Virginia a civilization poured into the headwaters of the Mississippi tributaries. These rivers carried the canoe and flatboat of the early settlers and later floated one of our most valuable possessions—the saw log.

The axe and saw of the woodsman are now but faintly heard along the banks of the eastern and central rivers. These waterways are no longer alive with the fallen giants of American forests. Farther west and even farther west has gone this advance guard of a great civilization. Today it takes its last stand at the headwaters of Southern and Western rivers.

In the timber country of the Pacific Northwest may still be found the familiar log "dump," reaching almost mountain high on the bank of some stream or lake. Early in the Spring these dumps must be broken and the logs started down stream on their great adventure. Frequently a bend in the river or a rapids constitutes the first challenge to these floating derelicts. Here is the inception of the "jam," particularly when the logs are running too "thick" together. At this point goes out the call to the "jam crackers," or "white water boys," each armed with his "peavy," or

pointed iron hook. The experienced eyes of these rivermen will soon detect the key log; skill and nerve will release it, and with a roar, a seething, twisting, curling, upending mass of timber resumes its way.

## The Economic Jam

Like logs, a stream of products flows from our farms, mines, factories and warehouses. Economic order and business profits depend upon the continuity and steadiness of this eternal caravan. The bulging granary, overstocked warehouses and shelves, unoccupied buildings, empty freight cars and inflated stock values constitute a jam in the economic system. Constructive business demands an accurate knowledge of the capacity of the stream, a keen vision that will detect the perils in the channels of distribution. If these fail, then the call must go out for the "jam breakers" to prevent the resulting economic chaos. Like the log in the stream, prosperity must ride—uncrowded—unobstructed.







**"We will show you how to get the money for everybody," says this unorthodox Credit Manager to his past due customers.**

The Credit policies of

**G. C. Klippel**

Van Camp Hardware & Iron Co., Indianapolis  
President, Indianapolis Association of Credit Men

# Making Profits Out of Risks

## A System That Turns Past Due Accounts to Advantage

**I** AM what might be called an unorthodox Credit Manager. My methods violate all the old orthodox ideas of credit granting, and yet, by some perversity, they have proved successful, and this is what gives me the boldness to set them down for the readers of the CREDIT MONTHLY, as I have been asked to do.

The firm, now about sixty years old, is a jobbing house carrying such lines as plumbing and mill supplies, heavy machinery, paint and glass, builders' hardware, automobile accessories, radios, house furnishings, sporting goods, and electrical supplies. We have 15,000 active accounts among the hardware and similar dealers in the Middle Western States. Of these customers

- 64 per cent. discount their bills by paying within ten days
- 27 per cent. pay when bills are due (60 days) or reasonably close to it.
- 9 per cent. are habitually past due, or hazardous accounts

Out of this 9 per cent., however, we get 39 per cent. of our volume, and if we eliminated them, we would

eliminate a very large percentage of our profit. And profit is the thing we are in business for!

If such a situation were peculiar to our business or to this territory, there would be no reason for discussing it, but it is not. In any business, the accounts that discount their bills are the least profitable. They are the hardest to sell and competition for their trade is so severe that they demand special prices. Slow paying accounts are not generally sought for, and they realize that they cannot expect price concessions, so that if properly handled, they may yield a satisfactory harvest in profits to the house that cultivates them.

The big question, of course, is how to handle them so as not to get singed or, worse, burned. As the job of the Credit Department is to help the house to *show a profit*, not simply to avoid losses, I am willing to work twice as hard as any other man to develop this profitable business among a class of customers who border on the hazardous.

When faced with an application

for credit from such an account, I ask myself: How can I take the undesirable elements in this risk and, in spite of these, establish this man as a customer and extend him credit? The exact answer has to be individual, but the general solution lies in *helping him to make money and seeing to it that he continues to do so*. To make this easier, we have organized within our Credit Department what we call a Retail Service Department.

Before describing the operation of this Service, there are a few facts I want to set down. One is that when a customer is habitually delinquent, it is because he doesn't know how to be anything else, not because he wishes to be, or because the potentialities of his business are not great enough for him to keep up his obligations.

A second fact to be borne in mind is that nobody who is making money fails. A merchant may be well rated and yet not make money, and in the end fail. The important thing in credits is not how much a man is



## Van Camp Hardware &amp; Iron Co.

We give you below the key figures on our **BUSINESS CONTROL** for the month of ..... 1929, and will appreciate any suggestions you might make relative to the progress shown:

Expense	Sales	Purchases
\$	\$	\$

Signed.....

Customers of the Van Camp Co. send in every month a record of their volume of sales, expenses and purchases, on cards like the above, (actual size, 5 x 3 in.) furnished them by the company.

worth, but whether or not he is making a profit.

When one of our customers falls into the delinquent class, or a man applies to us for credit having a record of consistent delinquency with other suppliers, the first thing we undertake to do is to find out whether or not he is making a profit. This can be determined only by making a careful analysis of his business, and we require a detailed report of expenses, inventory, sales, and purchases. The illustration shows the form in which this information is obtained.

Obviously, satisfactory results cannot be got from correspondence. We have men traveling all the time in the interest of the Credit and Collection Department, and one of these men, or I, will visit the dealer and discuss with him our plan for helping him to maintain his credit with us. We explain to him that if he will follow our recommendations, we will supply his needs.

We set up in his bookkeeping system a schedule that furnishes a control of the volume of sales per month and insures a satisfactory profit over and above expenses. A duplicate of the schedule is retained in our Credit Department. Once a month, the customer sends in on cards (see illustration) which we furnish him, a report of his actual volume of sales, his expenses, and purchases. As long as his figures come up to the monthly quota we have given him, we will furnish all his requirements, regardless of whether or not he pays his bills at maturity.

If, however, he exceeds his purchases limit, or fails to keep his expenses proportionate to his sales, we write him that he must correct the deficit or pay his bill at once. In other words, we do not co-operate

with a man who does not operate his business so as to make a fair profit on his sales, and we estimate this profit as five per cent. on his sales.

The great trouble with many dealers is that they are not making money and don't know it, and this is something the agency reports do not show. There was one dealer who lost \$10,000 in three years and didn't know it. During this

time, the commercial agency reports gave him an increased net worth of \$10,000. His financial statement showed that he wanted it to show. Upon investigation, we found that he was doing business on a margin of 20 per cent. while his cost of opera-

tion was 28 per cent. We told him that he must reprice every article he sold on a basis of 33 1/3 per cent. margin or pay us and buy somewhere else. He followed our recommendation, and he is now making money, although he is still considerably past due with his bills.

Some one may ask how we can afford to carry customers who are habitually behind. Why, by charging them interest at the rate of 7 per cent. If by acting not only as a merchant's accountant but also his banker, we can keep up our volume and increase our profits, we will do it.

I should prefer that a buyer borrow money at the bank to make up for his lack of capital, but it is frequently not possible in this section. Money has been flowing to Wall Street, and the banks don't have

## EXPENSES

(Do not include shop labor, freight, etc.)

Salaries, Owner	_____	Deprec'n Del. Equip.	_____
Salaries, Clerks	_____	Deprec'n Furn. & Fixt.	_____
Salaries, Office	_____	Deprec'n Building	_____
Office Supplies	_____	Rent	_____
Advertising	_____	Repairs	_____
Donations	_____	Heat, Light & Water	_____
Store Supplies	_____	Insurance	_____
Telephone & Telegraph	_____	Taxes	_____
Losses, Notes & Acc.	_____	Interest on Bor. Money	_____
Salaries, Delivery	_____	Assn. and other dues	_____
Other Delivery Exp.	_____	Unclassified	_____
		<b>TOTAL</b>	_____

## INVENTORY

	1927	1928	1929
Inventory 1st of year	_____	_____	_____

## SALES

	1927	1928	1929		1927	1928	1929
January	_____	_____	_____	July	_____	_____	_____
February	_____	_____	_____	August	_____	_____	_____
March	_____	_____	_____	September	_____	_____	_____
April	_____	_____	_____	October	_____	_____	_____
May	_____	_____	_____	November	_____	_____	_____
June	_____	_____	_____	December	_____	_____	_____
				<b>TOTAL</b>	_____	_____	_____

## PURCHASES

(Include Shop Labor, freight, etc.)

	1927	1928	1929		1927	1928	1929
January	_____	_____	_____	July	_____	_____	_____
February	_____	_____	_____	August	_____	_____	_____
March	_____	_____	_____	September	_____	_____	_____
April	_____	_____	_____	October	_____	_____	_____
May	_____	_____	_____	November	_____	_____	_____
June	_____	_____	_____	December	_____	_____	_____
				<b>TOTAL</b>	_____	_____	_____

When the above form is filled out by a delinquent customer or by an applicant for credit with a poor-paying record, the Credit Department has a detailed report of the customer's financial condition.

enough left to take care of all the needs of local commercial enterprises. These must have assistance in financing themselves from some other source. The compensations for our becoming this source is that we provide more outlets for our goods and tie the dealers to our house with bonds that defy competition. But, mark you, we don't propose to become a victim of such a policy. We are very careful to differentiate between the man who won't pay and the one who has not enough capital to pay promptly.

Is there any objection made to the interest charge? Very seldom. It is an established principle in business that you have to pay for the use of some one else's money, and it is also known that you can usually make a profit by doing it. We send out monthly statements, and bill the interest separately. I think of those who buy from us as being classifiable into debtors and customers. Those who refuse repeatedly to pay interest charges are no longer customers and are treated so.

Yet there are times when we forego the interest. If a man demurs about paying the charge, we may go over our records for the year past and analyze the business we have had from him to see what it has amounted to in volume and profits. If it has been sufficiently profitable to warrant our doing so, we may cancel the interest charge. The thing we are after is not interest—or discounted bills—but a legitimate profit.

### **Profit in Poor Accounts**

And, as I said at the beginning, we have found that we can make a profit by selling on credit to many accounts which appear in a most unfavorable light on the Credit Interchange reports. I am a member and a consistent user of our Interchange Bureau; I believe in it. But I use the Interchange not to get the name of the man to whom I must not sell but to find out what a dealer is doing, with a view to seeing then what I can do to straighten him out. Our Sales and Credit Departments work together in considering a credit applicant, and always begin on the assumption that a past due condition does not denote credit unworthiness.

When we accept an account that looks hazardous, with the understanding that our recommendations

are to be carried out, we sell the dealer freely for two months. If at the end of that time, he is not making money, we try to collect at once.

Speaking of collections, the stereotyped procedure when a man owes money past due is first to tap him lightly with a hammer, then hit him harder, following this up with a good beating with the hammer, and then, if results are still not obtained, to kill him. There is no attempt made to show him how he can get the money for the creditor. If he doesn't know how to get it, he may pay the one who demands his money most vociferously by taking it from some one else. My policy is to hold the dealer's head up, to say to him, "We will show you how to get the money for everybody." When a man has agreed to follow our advice and puts his business in a paying condition, then he can pay others first if he wants to. I am no longer worried.

### **Traveling Representatives**

We don't base our collection efforts on letters and follow-ups. When an account becomes delinquent, we send one of our traveling representatives from the Credit Department to see him and find out the reason. The representative is not a bill collector and not a salesman but a little of both—and a business analyst besides. He has instructions to stay on that job until he is satisfied, and can satisfy me, that the man is making money or will make it by adopting our system, or until he has either the cash or notes to cover the amount due. As the expenses of the trip are added to the bill already due, the maintenance of this staff of trained men is not a drain on the Credit Department. And knowing that they will have to pay this extra cost does not encourage customers to make it necessary for a man from the Department to visit them.

We adapt our collection system to the financial needs of our money-making customers with a view always to keeping a good man in business. But when we have reason to be suspicious, we don't sleep over a delinquent account, and we don't plough through a series of gentle reminders. One of our customers, who was behind with his bills, put out a statement showing a net worth of \$28,000. This did not satisfy us, and so we got from him a statement showing the actual condition of his

business. It revealed that he was losing money. I sent an attorney to him at once, with instructions to make full collection. Other creditors continued to sell the dealer on the face of his financial statement, and when he broke, they did not receive one cent on the dollar.

From the above, it will be seen that our Retail Service Department offers assistance to the retailer chiefly in accounting and financial management. We, in the Credit Department, do not ordinarily advise a customer on his merchandising problems, though I sometimes do so when they seem to be the chief factors in a situation. Recently, I insisted upon a dealer's putting in a line of radios to boost his winter volume, and from time to time, I make similar suggestions regarding merchandise and sales.

But advice as to sales campaigns, window displays, advertising, and any other phase of retailing can be had by retailers from any one or all of our departments whenever they ask for it. We have a special department to help them in financing time payments from customers. In other words, there is no sort of co-operation that we will not give the upstanding dealer who sells our goods, but it is the province of the Credit Department to bend its co-operative efforts toward seeing that he makes a profit out of his business.

### **New Credit Laws**

A CIRCULAR, advertising the twenty-second annual edition of the "Credit Manual of Commercial Laws, with Diary," published by the National Association of Credit men, enumerates some of the revisions and additions made in the 1930 edition, and says: "Almost every State has been affected by changes in Conditional Sales; the laws of six States have been revised on Chattel Mortgages; there is a very important addition to the Negotiable Instruments law on liability of endorers of negotiable instruments; Mechanic's Lien laws have revisions for almost every State, with an extremely significant revision for New York; new and pertinent material on Commercial Arbitration is also given; Rights, Powers and Liabilities of Married Women have undergone changes; and the section on Liability of Banks reflects changes."

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Northeastern University (Boston Young Men's Christian Association) and the Boston Chapter of the rapidly growing National Institute of Credit of the N. A. C. M. are working hand in hand in the field of adult education; and points earned in the credit courses of the University are accepted as credits for the certificates issued by the N. I. C.

## Adult Education

By Carl D. Smith

Dean, School of Commerce and Finance, Northeastern University, Boston.

THE task of the Credit Manager as an educator is herculean. He must constantly educate himself and be a master student of human nature and character. He must also be a teacher of sound principles and practices of business management and ethics. He is expected to be a never failing doctor of the incurable as well as the curable financial ills of his customers. In this sense he has become a proficient educator and is deserving of the degree of Doctor of Bankruptcy.

Business, according to President Lowell of Harvard, is "the oldest of the arts and the newest of the sciences." The whole philosophy of adult education is based upon the premise that your and my education should not have stopped when we left school. In general the words "school" and "education" are thought of as synonymous. The idea has been prevalent that an individual who has received his or her diploma and has taken up an occupation has completed his or her education. The termination of formal schooling and of one's education has been conceived to be an end which is determined solely by the period of formal attendance in a school. Ex-President Coolidge has recently said, "We cannot abandon our education at the schoolhouse door. We have to keep it up through life."

Is there need for adult education—

- (a) When in 1920 there were 5,000,000 persons ten years of age or over in the United States who could not write their own name in any language, irrespective of their ability to read?
- (b) When only 27 per cent. of those 21 years of age or over in this country have completed the grammar

school, when only 6.2 per cent. have completed high school, and when only two per cent. graduate from college?

(c) When the average length of formal schooling ends before the first year of high school is completed?

(d) When the motion picture industry finds it necessary to write the captions of their films for, and gauge the conversation of the "talkies" to, the 12-year-old mind?

(e) When one in every four men mustered into the United States Army in 1917-18 could not read a newspaper or write a letter home?

(f) When we face the reality that the six hour day and the five day working week will soon become an accepted part of our business and industrial schedule, and that as a result men and women will be in possession of more leisure? (How can this leisure be best utilized and conserved? The wise utilization of the leisure hours of the employee presents a significant problem to every business executive. Does modern business have enough at stake in this problem to meet it, to participate actively in helping civilization find a solution?)

### Adults Can Learn

The fact that the profit making correspondence schools of this country enrolled in 1928 over 2,000,000 students who paid \$70,000,000 as fees is striking proof of the demand made by those over 21 years of age for more education. Last year over 200,000 adults employed in full-time jobs in business and industry studied after working hours in 200 colleges and universities of this country.

In 1926-27 in Boston 79,445 adults were enrolled in 78 public and private evening schools, and of this number 16,554 or 20 per cent., studied business subjects. A conservative estimate for 1929-30 places these figures at 95,000 and 20,000 respectively.

Do adults have the capacity and

ability to learn? The question has been answered by Dr. E. L. Thorndike of Teachers College, Columbia University, who made these statements upon the basis of a thorough-going piece of research work:

"Adults can learn rather easily and rapidly, and probably could learn much more than they do."

"Adult education suffers no mystical handicap because of the age of the students."

"In general nobody under 45 should restrain himself from trying to learn anything because of a belief or fear that he is too old to be able to learn it."

"Adults learn less than they might because they do not care enough about learning."

"In general, teachers of adults of age 25 to 45 should expect them to learn at nearly the same rate and in the same manner as they would have learned the same thing at 15 to 20."

Dr. Thorndike shows by studies that the curve representing ability to learn reaches its peak at about the age of 20, and then after a stationary period of some years falls gradually at the insignificant rate of only one per cent. per year. This decline is so slow that business men under 50 should never be deterred from trying to learn for fear that they are too old to profit from systematic study.

These statements and findings of Thorndike's will do much to break down the conventional idea that "Childhood is the time for learning," and to build in its place the logical conception that for adults "The time for learning anything is the time when you need it." Education is a lifelong process and it can be continued with marked effectiveness after the day's work is done. He who ceases to study and to further his education after he receives his



diploma has at that moment set the limits of his personal growth and potential usefulness to business or to his profession.

Idle hands fall readily prey to the relentless forces of economic progress. Even more so do idle minds become susceptible to the insidious workings of a rapidly changing civilization. The speed with which society maintains her onward march of progress behooves every man in business to be wide-awake and observant lest he be in the same plight of the hare who awoke from his nap to find the slow plodding tortoise waiting at the goal. In business, more frequently than in industry, those who have jobs become victims of economic change. They are the men who keep the books, who collect the overdue account, who answer the routine letter, who take the order, who carry on in the same routine matter-of-fact fashion day after day without giving much real serious thought as to the how, the why, or the whither of the task they perform. Their job has become a sort of a second nature to them, measured only by the hours of the clock and the economic weight of the pay envelope. That the job might be expanded and made more worth while because of their initiative seldom becomes a vision upon their day dreaming consciousness. Modern business demands more than routine unthinking participation on the part of those who would keep abreast of the rapid economic changes.

Today the complexity of modern business, with its mergers, its high degree of specialization, and its kaleidoscopic changes, makes it practically impossible for a young man to depend upon the apprenticeship scheme. It would take a lifetime for him to secure an effective training as an apprentice. Responsible business executives have no time to serve as teachers to those coming into their organization who do not possess a knowledge of business fundamentals.

Those who study business realize that business is no longer a matter of luck. In the past some men have succeeded in business because they have unexpectedly stumbled upon an opportunity, and have had the foresight and vision to take advantage of that opportunity. Today these finds are less likely to be stumbled upon, and are more likely to be discovered as a result of research, investigation

and study of the business possibilities within an organization. On account of the better organization of business knowledge and an increase in trained leadership, these exceptional opportunities are becoming less and less available to the untrained man.

The executive of today insists upon well-trained subordinates and delegates to them far more responsibility than was true of the executive a few years ago. This trend is of far-reaching importance, for it means that the young man who enters business today with a systematic training for business, or who is determined to gain the most from his business experience, may reach a position of responsibility in shorter time than was possible twenty-five years ago. The untrained employee who refuses to make a study of the opportunities in his job is tied to the details of that job. He may master the routine performance of his work, but without a student mind and an inquiring attitude towards his job, he will find comparatively few opportunities for advancement open to him.

That business executive who is a constant student of business is better able to see and to appreciate the social and economic changes at work in business. He naturally has a broader perspective and is able to keep his business adjusted to the great social, political, and economic movements of which we are aware as existent all about us. A university or college training in business is not necessarily a guarantee that the executive possesses this broader perspective. Some of the most keen-minded and farsighted executives are not college or

university trained. They are constant students of the science of business. In this very respect they are examples of the very direct relationship that exists between adult education and modern business.

The successful business executive brings to his work a mind trained in the scientific approach to business problems. He knows how to obtain the necessary facts, how to analyze these facts, and how to draw reasoned conclusions from them. More important still, he knows how to test and to weigh these conclusions in the light of the experiences of his own and other businesses, and in the end to reach a sound decision as to the wisest policies to be pursued. Success in business is increasingly dependent upon a scientific analysis of the many complex problems of management.

The application of the scientific method is highly important in credit work. Although the passing upon a credit risk may, to a large extent, be based upon the findings regarding character, yet if the executive, in whom the Credit Manager is interested, lacks the ability to manage his business successfully, the risk is not likely to be looked upon favorably. Bradstreets' shows that incompetence and inexperience are responsible for approximately forty per cent. of the failures of business enterprises in this country, and that another thirty-five per cent. of these failures are due to the lack of adequate working capital. This is only another way of saying that those in charge of failing enterprises lacked adequate business ability and management.

In the Evening Division of Northwestern University, we are primarily concerned with the application of adult education to the needs of business and professional men and women. Last year the University served the needs of 3,500 men and women who were supplementing their daily experience with systematic courses of training pursued at convenient evening hours in the fields of business, professional, and engineering subjects. Students of business have repeatedly told me that they are studying business subjects in order that they may increase their effectiveness in their present business positions, or that they may prepare for advancement to better positions. They tell me that they hope to se-

(Continued on page 29)



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# What Petroleum Means to Texas

By Sid H. Dunken

Dallas

THE eyes of the credit fraternity will turn in a few months towards Texas, where the National Association of Credit Men will hold its thirty-fifth Annual Convention in Dallas. And the great State of Texas is at all times of importance to thousands of credit executives. To understand Texas as a market it is essential to know something of what petroleum means to the State. I am therefore complying with the request of the CREDIT MONTHLY to give some facts about this great industry. For the figures used I am indebted to the American Petroleum Institute.

A great many people think Col. Drake was the discoverer of petroleum in this country, but the truth is, that the magic fluid was found in seeps, shallow wells, and as scum on small lakes, and was used as medicine and also refined into illuminating oil, from which small fortunes had been made, many years before Col. Drake drilled his well near Titusville, Pa.

The Drake well was "brought in" in 1859, and oil production in the United States for the period of 1857-1860 was 502 barrels. Compare this small output with the output of crude petroleum in the United States in 1928 of 902,000,000 barrels and you have a picture of the growth of the petroleum industry in this country.

Crude petroleum production for the entire world in 1928 was 1,322,896,000 barrels; of this amount 420,896,000 barrels were produced outside the United States.

The Southwest (Texas, Oklahoma, Arkansas, Louisiana and New Mexico) had a 1928 production of crude petroleum as follows

	Barrels
Texas	256,888,000
Oklahoma	249,558,000
Arkansas	32,295,000
Louisiana	21,626,000
New Mexico	959,000
	561,326,000

These states therefore produce more than 62 per cent. of the crude petroleum of the United States, leaving a balance of 38 per cent. for the rest of the country. California has

the production of wealth in this section. The bulk of petroleum produced in Texas and Oklahoma is of paraffin base and from it is made some of the world's finest lubricating oils.

In addition to the production of crude petroleum in the Southwest, millions are invested in oil pipe lines, refineries, gasoline plants, tank farms, bulk plants and sales stations. Employment is furnished thousands of men and women on pay rolls reaching into millions of dollars monthly.

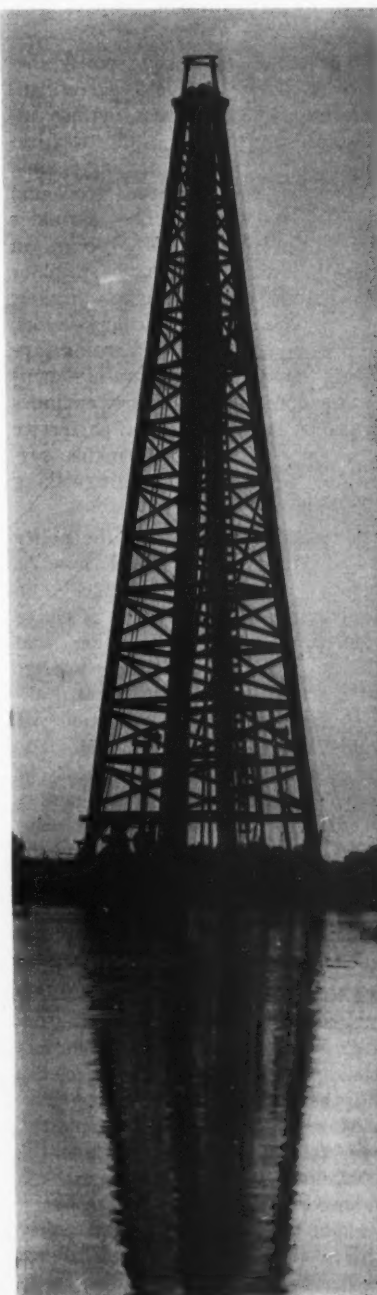
Texas alone consumed in 1928 gasoline to the extent of 670,817,000 gallons; from this immense gallonage Texas received a state tax of several million dollars, which goes toward building good roads and schools. In addition to this Texas receives each year an immense amount from production taxes.

To see what the petroleum industry means to Texas one only has to observe what has happened in towns near which oil fields have been found. Where once were straggly, poor kept towns, with practically no modern conveniences, the magic wand of petroleum has brought new and modern hotels, paved streets, fine homes and business buildings.

What does this mean to Texas and the Southwest? It would be difficult to say, for the reason that closely allied to the petroleum industry is the automotive industry which, without petroleum, would be nil—in fact, it couldn't exist. To go a step further, associated with the petroleum industry are rubber, iron and steel, in all of which industries petroleum plays a large part.

The petroleum industry is so closely associated with modern life that there is scarcely any part of it that is not touched by the industry.

It can truthfully be said commercially that petroleum is the light of the world, for without it factories, railroad trains, steamships, airplanes, automobiles, electric light plants and thousands of industries would cease to operate and the commercial world would be thrown into chaos and darkness.



Ewing Galloway

A Lake of Texas Oil.

a production of 231,982,000 barrels.

A brief analysis of these figures will show you that petroleum in the Southwest is a very large factor in

# Risks Made Safe

## By Sprinkler Leakage Insurance

By C. T. Hubbard

**T**HE credit executive often finds it in order to recommend that his debtors instal sprinkler systems for the protection of life and property on their premises. In discussing sprinkler systems, he also points out to them that, such a system introduces a possible water leakage from such equipment caused by mechanical injury and in other ways, against which damage protection may be had by a sprinkler leakage insurance policy. To some extent this policy is looked upon as a casualty insurance cover; and these policies are often written through casualty agents and the casualty insurance departments of insurance companies. The liability is also assumed by fire insurance companies; and nearly every fire insurance company writes this form of insurance.

As a supplementary fire insurance contract, or a casualty insurance policy, "sprinkler leakage" insurance protects only against financial loss by reason of the damage produced as a result of water leakage occurring in the sprinkler equipment or from the tanks connected with the equipment or any of the other connections or parts which break or become injured mechanically. If a fire causes the sprinklers to discharge their contents and the water so released causes damage—possibly a greater damage than the fire itself—this is a loss which falls under the straight fire insurance policy. The sprinkler leakage policy is confined exclusively and entirely to water damage caused by the accidental opening up or bursting of sprinkler heads and associated tanks, pipes and other parts.

Water damage insurance, on the other hand, is a form of indemnity constructed solely to reimburse for damage produced in the leakage of water from plumbing and heating equipment, elevators and tanks, but in no way attempts protection against bursting sprinklers or the supply tanks which feed these sprinklers. There should be no confusion between the two contracts, for they

in no way duplicate or trespass upon each other.

The sprinkler leakage policy, because it is one of the allied fire insurance policies written by fire insurance companies, is confined entirely and exclusively to insuring against damage caused by the accidental release of water. The sprinkler leakage policy is made specific in interpreting the automatic sprinkler system to mean automatic sprinkler heads, pipes, valves, fittings, tanks, pumps, and underground mains supplying the sprinklers. In a like manner the contract very clearly excludes hydrants, standpipes, hose or service pipes, non-automatic sprinkler systems, or any other fire extinguishing apparatus.

The insuring clause of the policy reads, "Against all direct loss or damage by sprinkler leakage." In the contract provisions this is elaborated on in the description that "wherever the term sprinkler leakage occurs it shall be held to mean leakage discharge or precipitation of water from within the automatic sprinkler system resulting in loss or damage to property described herein, whether the sprinkler leakage originates in the portion occupied by the assured or not, including such sprinkler leakage caused by freezing."

### Replacement Feature

The sprinkler leakage contract has the usual provisions found in any other allied fire insurance contracts relative to the fallen building clause and the exclusion relating to war, invasion, the insuring of bills, money, notes, securities, etc. Although the replacement feature is more or less an important part of every contract it might be pointed out in this policy with a little greater emphasis, for the contract makes it optional with the insurance company to repair or replace the property loss or damage with property of a like kind and quality, or to take any of the articles damaged at an agreed and appraised value by giving a notice of such in-

tention within thirty days after a loss has occurred. As with all of the other allied fire insurance coverages the policy is written not only for property damage losses, but for use and occupancy, leasehold and rental income.

The contract at all times adheres to its insuring clause and in addition to excluding the sprinkler itself and all attachments thereto, it also excludes any seepage or leakage of water through building walls or through foundations, sidewalks, or any losses by flood or water damage losses due to the backing up of sewers or drains or for any losses caused directly or indirectly by condensation and deposits on the automatic sprinkler system.

### Causes of Leakage

In order that this hazard may not appear to be a far-fetched proposition, a few of the known causes which have contributed to sprinkler leakage may be mentioned, not for the purpose of emphasizing the possible dangers but rather to indicate some of the contingencies with which the underwriters have to contend. First is the breaking of sprinkler heads and pipes due to freezing. This is the greatest hazard during the cold seasons, even though so-called "dry" systems minimize the danger to some extent. The sources which contribute to such freezing occur mostly over week-ends or during holidays and night times when the temperature of the building is lowered. Sometimes a broken window permitting a cold draft to enter has been the cause. At other times faulty operation of the arrangements for heating the gravity tanks which feed these sprinkler systems is the cause.

Other conditions which have led to the bursting of sprinkler heads is the vibration of machinery in industrial plants or corrosion from fumes developing in the manufacturing process. Deterioration is of course, a common cause, for pipes when aged and rusted are unable to hold back the tremendous pressure of the water. Settling of buildings is a contributory cause. Fluctuating temperatures may force a sprinkler head to open, especially when exposed to a temperature higher than provided for at the time of its installation. Flying bits from bursting machinery, or from stock in process have damaged

(Continued on page 32)

Harris &amp; Ewing

# International Salesmanship

An interview by  
Chester H. McCall  
with the dean of the  
diplomatic corps at  
Washington

## Sir Esme Howard

British Ambassador

**S**ALESMANSHIP has been defined as the science and art of selling your point of view; that is, starting with the other person's point of view and leading his mind to the acceptability of your point of view. All successful salesmanship is based upon this principle, whether it is canvassing for cooking utensils from door to door, selling bonds, disposing of real estate, bargaining for marketing advantages or selling an idea of international significance.

One of the leading ambassadors of the United States recently made this statement: "Salesmanship—not statesmanship; that's what the United States needs. For after all, statesmanship is salesmanship applied to nations."

Among the world's foremost diplomats few stand out in length of service and merit of attainment as does Sir Esme Howard, British Ambassador to the United States and dean of the diplomatic corps in Washington, whose retirement was announced the other day. There are not more than three or four living men who are as skillful in international salesmanship as Sir Esme Howard. An understanding of the man, his methods and career, can but be of inestimable value to every business executive.

Some time ago I asked a financier of prominence in Wall Street to what, in the greatest degree, he attributed his success. "Learning and mastering the selling points of other peoples' personalities. An understanding of the 'selling personality'

has been more valuable to me than an understanding of the principles of finance," was the answer.

Learning and mastering the selling points of Sir Esme Howard's personality should furnish credit executives a new leverage in contact power with other business men. The success of Prime Minister MacDonald's recent visit to the United States can be attributed largely to the psychologically sound preparation of the British Ambassador. MacDonald's visit was a masterpiece in the salesmanship of international good-will—one of the most difficult intangible values there is to sell.

Sir Esme's lineage dates back to the 13th Century. Among English families the House of Howard has long been in the front rank. Its head, the duke of Norfolk, is the first

of the dukes and the hereditary earl marshal of England.

With this ancestry as a background Sir Esme received his early education at the famous Harrow-On-The-Hill, in Middlesex, England, twelve miles from London. From this school, founded in 1571, have come such men as Byron, Robert Peel, Richard Brinsley Sheridan and Lord Palmerston.

Young Howard passed the competitive examinations for diplomatic service in 1885 and filled his first diplomatic position in Ireland in 1885-6. In 1886 he was attached to the British Embassy in Rome, and then saw in succession service in Berlin, the United States, Crete, Hungary, Switzerland, Sweden, Spain, Poland and the United States once more. He retired from the diplomatic





service for eight years, beginning in 1892, when he became the Assistant Private Secretary to the Earl of Kimberley, Secretary of State for Foreign Affairs. He also served as a trooper in the Imperial Yeomanry in South Africa during 1900.

It is an accepted tenet that a man must generally sell himself before he can sell his product. The British Ambassador has a nation to sell and the way in which he does it makes a story rich in example for every man who aims to increase his own personal power.

There is a distinct contrast in "getting in" to see the British Ambassador and "getting in" to see some of the leaders in American business and government. As soon as one enters the Embassy he feels that he is a guest and that his comfort is of first importance. The Ambassador's private secretary conducted me to the waiting room, because there were several appointments to be met before mine.

Many of the under-officials in our banks and business corporations convey the impression that they are doing an unusual favor even to let a person sit in the waiting-room until time for the appointment. They also manage to convey the idea that "the big chief" is deluged with work, and that his disposition will be none too pleasant. They do their best to make one feel that the impending interview is nothing short of a crime.

### *Visitor Put at Ease*

The attitude of the under-officials in the British Embassy in Washington is exactly the opposite. Every word, every gesture and every suggestion is intended to transmit goodwill and satisfaction. I felt as if Sir Esme were going to come out into the waiting room himself and lead me into his office. When he did exactly that, the truth came home to me all the more forcibly that one of the biggest assets any organization can have is a reception plan that will make every legitimate visitor feel entirely at ease and in harmony with the man he is waiting to see.

The value of the "you attitude" has been emphasized as the leading psychological consideration in salesmanship of every kind. This attitude seems as natural a part of Sir Esme Howard as his smile. You almost feel that behind his words is an undertone saying, "What can I tell you,

give you, or do for you that will be of value to you?" How different this is from the challenging, "Well, what do you want to get from me?", of so many men who unhappily have never learned the first rudiments of tactfulness.

The private office of the British Ambassador is designed for comfort. The visitor sits in a deep cushioned, upholstered davenport instead of a hard chair. The office seems like the room of a home and yet it is filled with indications of business and expeditiousness. Sir Esme's office satisfies the formula for an ideal office. It is furnished and decorated to convey a feeling of ease and give paramount comfort without sacrificing the organization and necessities required to carry on business in the most effective manner possible.

To learn what the British Ambassador thinks of credit and its importance in an international way, I asked this question, "Hasn't the credit knowledge and background of the British Government been one of the biggest reasons for England's economic progress?"

"The British Government has always been careful to maintain its credit standing at the highest level, notwithstanding the heavy personal sacrifices this has entailed on the part of the masses of the British people," was the answer. "It is clear that this high-credit standing has played a major part in the development of British trade and finance abroad. As the world's banker, Great Britain has a profound realization of the importance of accurate credit information. Her ability to assess credit worth has undoubtedly helped to eliminate a great deal of risk both in foreign trade and foreign finance. It would be beneficial to commerce as a whole if some system of international exchange of credit information could be effected."

Sir Esme suggested the ideal of one of the greatest credit dreams when he pointed out the benefits that would accrue from a system of international credit exchange. It is evident that the men occupying international key-positions realize the urgent need for a method of universal credit interchange.

While we were on the subject of exchange of information I asked this question, "What do you believe the American business man can learn from the British business man and

the British business man from the American business man?"

"An interchange of ideas between American and British business men must always be productive of fruitful results," came the immediate response. "In many branches of industry the two countries are non-competitive. Great Britain largely makes quality products with individual appeal, which are offered to the United States in exchange for food-stuffs and manufactured articles, which are produced on a large scale. Each country possesses sources of supply of raw materials essential for the industry of the other, for example, America, cotton and Great Britain, rubber.

### *Friendly Co-operation*

"Friendly co-operation between the two countries is, therefore, desirable in the interest of their respective manufacturing and producing industries. Great Britain can probably learn something from America in the fields of advertising, salesmanship, and the technique of large scale manufacturing and distribution. America can probably learn something of craftsmanship from Great Britain and the finer technique of the export trade. British enterprise in this direction is well demonstrated at the British Industries Fair held in February each year at London and Birmingham."

At this point in the interview we talked of how American newspaper service has been of so much importance to America's expansion in foreign trade. The great gains in Latin American trade came after the United States had acquired control of Latin American news agencies. In Europe it is not uncommon to read in the papers what kind of foods some prominent United States leader eats for breakfast. News about Europe that is sent out through American news agencies, such as the United Press, is, of course, interpreted through American eyes. A great deal of British, French and German news sent to the Orient and Latin America is through American news services. We discussed how international publicity has been one of the principal forces in the expansion of the United States' foreign trade.

Mr. MacDonald's visit to the United States brought into bold relief the question of co-operation between the two great English speaking



countries. In order to get an idea of the Ambassador's viewpoint along this line I put this question: "What are the principal advantages you see in an English speaking union?"

"If by this is meant any political alliance between the United States and the British commonwealth of nations, I may frankly say that I think this would, as the world is today, probably not be to the advantage of either. If what is meant is co-operation for the peaceful settlement of disputes and general and friendly understanding among all branches of the English speaking peoples, I am all for it.

"If the meaning of this question is much narrower and refers only to the Society known as the 'English Speaking Union' I think certainly that this society can accomplish much good work by distributing information through its branches in various English speaking countries to visiting members from the other countries and by increasing in innumerable ways knowledge of each other and breaking down barriers of ignorance and prejudice which are the great mischief makers and creators of ill-will and stupid dislike which again make fruitful business contacts more difficult. Sound business depends on mutual confidence and respect and this the English Speaking Union societies all over the world should, if properly run, help to promote."

### Commercial Arbitration

Sir Esme's faith in the power of commercial arbitration is demonstrated by his answer to my question, "Do you believe the principles of commercial arbitration are coming to play a more important part in international affairs?"

He said, "Commercial arbitration is rapidly gaining recognition as the best means of settling business disputes. It is extremely valuable in saving the expense and difficulties of litigation in foreign courts. Through the amicable adjustment of commercial controversies, it inspires confidence in the business integrity of the various countries in which commercial arbitration is properly carried on. It is, therefore, a very useful contribution to harmonious international commercial relations."

After the interview the Ambassador personally conducted me through the British Embassy. The aristocratic elegance of the old Embassy will soon pass into memory because

Harris & Ewing



Premier Ramsay MacDonald, his daughter Ishbel and Sir Esme Howard at the White House.

the new home of the Ambassador is nearing completion on Massachusetts Avenue in Washington. Out of the many rooms the one that impressed me most was the ballroom, on the floor of which is the great rug used at the opening of the first Industrial Conference in England in the 19th Century. He had me stand on the large seal of the rug—the very spot where Queen Victoria had stood when receiving the guests at the world's first industrial meeting.

Sir Esme pulled aside a curtain and indicated a painting done of the ball room to perpetuate it in the new Embassy. In the eyes of England's senior diplomat was a strong feeling for the historic rooms that would soon be passing away. From room to room a young man preceded us, turning on the lights and making our progress comfortable. Certainly here were courtesy and cordiality in the highest degree.

There is an obvious and valuable business lesson in a visit to the British Embassy. No advertising, no publicity and no promises of service could leave an impression as indelible as the humanity and fellowship of the

British Ambassador and his officials. If every American business man were guided by the principle that any customer or visitor, no matter how unimportant his mission might be, should be received and treated as if, for the moment, his mission was the most important in the world, he would build for his company a goodwill of enormous influence and importance.

### Real Business Good

THE December *Monthly Letter* of Stephen I. Miller, Executive Manager of the National Association of Credit Men, quoted on the ticker and widely in the press, says:

"Real business is good and is going to be better. The psychology of opportunity should win hands down from the psychology of fear. From the reservoir of credit has been released for the legitimate uses of regular business fully three billions of credit that was impounded in brokers' loans. We have had a tremor which has reduced the faults in the surface layers of the financial world and so leveled them that we can live again in comfort and safety."

# The Sales and Credit Outlook

**T**HE statement that business is fundamentally sound may be irritating to the man whose securities have seriously declined or whose speculative account with his stock broker has been sold out. Such a man may be irritated, but he ought to be thankful.

As summarized by the National City Bank of New York, the situation is this: "There is no collapse of commodity prices. There is no inventory problem. There is no breakdown of the banking system. There is no shortage of credit. There are no great business failures nor are there likely to be. Our great corporations were never in better shape financially or from the standpoint of manufacturing efficiency and skill of management."

Furthermore, the Federal tax on 1929 incomes of corporations and individuals will probably be reduced by \$160,000,000, and expenditures running over ten billions of dollars are proposed by government, railroad, public utilities and industry.

The unprecedented mobilization of the Nation's economic power, under the leadership of President Hoover, has not only appealed to the leaders of American business, but has changed the psychological attitude of the country from one of alarm to one of confidence.

Following the November conferences brought together by the President will be the December 5th conference of business associations called at his request at the headquarters of the U. S. Chamber of Commerce in Washington. (President Lawrence Whitty will represent the National Association of Credit Men.)

"I have confidence in the future," the president of an outstanding manufacturing corporation writes to the CREDIT MONTHLY. "In my opinion business in this country will materially improve over the present during the early part of next year, and I sincerely believe that President Hoover has done a great constructive piece of work in his usual way of calling together executives and talking to them in their own language. This will do good."

"The great problem before us is to have sufficient confidence that we will insure continuity of employment to the fullest extent possible. This can only be done by each of us with confidence placing contracts with our suppliers for deliveries of their products to us in the coming months."

On behalf of the credit fraternity, the presidents of a number of corporations in various lines were asked their views a few days ago, as to the sales and credit outlook for the next six months. Their replies are printed herewith:

## American Tobacco Co.'s Aggressive Policy

President George W. Hill of the American Tobacco Company, New York, says:

"Our plans for 1930 call for an aggressive sales and advertising policy with no curtailment in either. Our credit policy will remain the same as heretofore."

## International Harvester Co. Counsels Courage

The International Harvester Company sends this message:

"No change contemplated in our sales and credit policies. It would be reasonable to suppose that there might be some moderate increase in commercial failures as the result of recent happenings, as soon as banks can ascertain the real position of their clients. We have faith in the future of this country. Move forward conservatively but with courage!"

## Quaker Oats Company No Change in Policies

Calman Martin, assistant treasurer of the Quaker Oats Company, Chicago, says:

"We see no reason why we should make any change in the near future in our sales and credit policies, believing that our products will continue to be required by the consuming public in usual quantities and that the trade will be in position to finance its purchases in the usual manner."

## Views of National

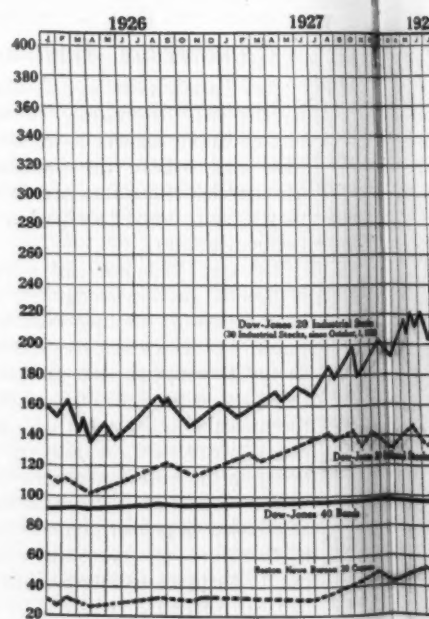
"We do not anticipate any alarming increase in commercial failures in the trade with which we deal."

"Our own point of view is to maintain our business in anticipation of the usual volume for this season of the year, subject merely to the careful watchfulness—which we believe is desirable at all times—for unfavorable trends should they develop."

## Dennison Manufacturing Co. Recalls 1924 or 1927

The Dennison Manufacturing Company, of Framingham, Mass., says:

"General business has entered a period of lessened activity which will last for some months. The intensity of this decline will agree more with that of 1924 or 1927 than with that of 1921. Wholesale commodity prices will probably show very slow slight sagging. We are operating



Courtesy, Hornblower & Weeks.

Although the most drastic decline ever for one month occurred in October, 1929, crash is above the levels of 1926 and 1927.

# Look for the Next Six Months

## National Leaders

about 80 per cent. capacity according to the index kept by our Budget Department. Raw materials are being purchased on a hand-to-mouth basis. Goods in process and finished goods inventories are practically normal for this time of the year. The labor and wage situation for this industry does not seem to have any particular variation from normal at present. Customers are tending to order conservatively rather than freely. Cancellations are still only normal."

### Pres. White of Armour Looks for Normal Business

President F. Edson White of Armour & Company, Chicago, says: "We have contemplated no changes in our sales or credit policies and we see no reason for even considering them. We do not anticipate an increase in commercial failures. In fact

we look for a normal business after the turn of the year. Our advice would be to keep busy, keep working, and do less talking about anything being the matter. The country is sound. The new wealth created in 1929 is far above the average and the future is bright."

### Swift & Company Proceeding as Usual

President Louis F. Swift, of Swift & Company, says:

"No change in sales or credit policies is contemplated. Recent experience indicates nothing of a serious nature in connection with failures. We are proceeding as usual."

### Gillette Scan Credits Carefully

The Gillette Safety Razor Company, Boston, says:

"We contemplate no change in the next six months in our sales or credit policies. We anticipate some increase in commercial failures and believe that credits should be carefully scanned during the coming six months."

### Chrysler Corporation's Enthusiastic Confidence

Vice President and Treasurer B. E. Hutchinson of the Chrysler Corporation, telegraphs from Highland Park, Mich:

"No change in our sales and credit policies is anticipated at this time. Some increase in commercial failures is not improbable unless conditions markedly improve. Our advice—which we are applying to ourselves—is hard work, increased efficiency, elimination of waste, reduced expense, and enthusiastic confidence in the ultimate future."

### Michaels Stern & Co. A Boom Unlikely

President Jacques L. Meyers, of Michaels Stern & Co., Rochester, in a statement, says:

"Anything in the nature of a boom or increased prosperity is unlikely. It would appear, therefore, the part of wisdom to be unusually cautious

in the opening of new accounts.

"Where the situation justifies, every consideration should be extended to a debtor to enable him to work out of his present difficulties where through such co-operation and the application of the principles of Business Service a favorable outcome can be reasonably expected."

### Fayette R. Plumb, Inc. No Increase in Failures

Fayette R. Plumb, Inc., of Philadelphia, says:

"No change in credit or sales policy is contemplated. We do not anticipate any increase in commercial failures in the hardware business. We suggest that financial executives arrange to extend credit to the limit of safety in order to increase sales."

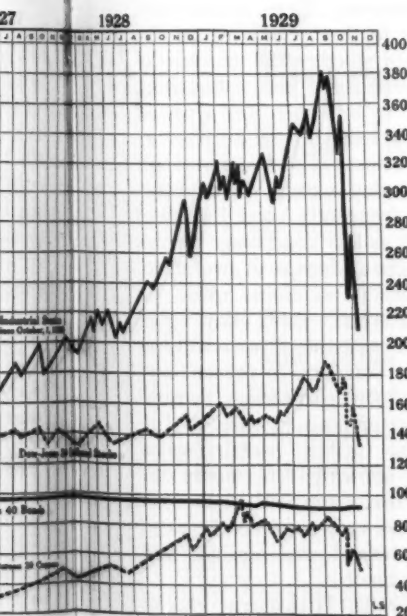
### Logan Company "Altogether Psychological"

President W. Hume Logan, of the Logan Company, Louisville, has issued a statement in which he says:

"It is universally conceded that business generally is active and the volume good. We all know that we have the same farms, with millions from the Government to help handle the crops. We have the same forests and mines—inexhaustible as far as this generation is concerned. The same factory buildings and machines. The same management and employees, willing and anxious to work. The same amount of money to operate with, but cheaper and easier to get. Leaving out the five per cent. of the population that may have had a paper loss, we still have 110 millions with all they had before the crash to buy with, and with the same desires and needs for luxuries and comforts.

"Therefore, if there is any slump in business, it is altogether psychological. . . . Who is running this country anyhow? The few speculators or the people who own, manage, produce and consume?"

According to Bradstreet's, both October and November of this year show fewer failures and smaller liabilities than in the like months of a year ago.



ic decline ever recorded in the stock market  
October, 1929, the level of prices after the  
1926 and 1927.



# Why Write Only to Past Dues?

## Good-Will Letters Help Sell Credit Policies

By G. C. Haislip

Comptroller and Credit Manager, Nachman Spring-Filled Corp., Chicago.

**I**T has long been my observation and opinion that there is too little contact between the Credit Department and the customer. Until the last few years when Business Service, under the leadership of the Credit Department, has come into existence, virtually all contact between house and customer has been through the medium of the Sales Department.

Contacts between the Credit Department and customers have been principally of the disagreeable sort—when there is dirty work to be done, credit limits lowered, collection letters sent, adjustments made as to terms or discounts. It is not surprising that customers are inclined to regard the Credit Department more in the light of a traditional adversary than an ally and to look upon communications from Credit Managers as anything but friendly and desirable. It is not surprising either that, even within an organization, the Credit Department is thought of as a negative rather than positive force in the business, a necessary evil instead of a constructive aid in business building.

Fortunately, many credit managers possessed of vision and initiative are overcoming this attitude toward the Credit Department and, by their ability and resourcefulness, are elevating its position in the business world. But there is opportunity for considerably greater development along this line.

For several years, while I was with the Williamson Candy Company, previous to my recent move, we made it a policy to send out monthly letters on credit subjects to all of our customers, choosing particularly credit topics which would be helpful or interesting to them. Although we were careful to avoid in these letters even the semblance of preaching, we were able to put over such ideas as

(a) The value of discounting bills

- (b) The importance of price maintenance
- (c) The necessity for maintaining a modest inventory
- (d) The advantage of displaying nationally advertised merchandise
- (e) The value of proper accounting systems

and many other topics.

It is always difficult to determine accurately the results of promotion work of this kind, yet it is my firm opinion that, on the whole, this Credit Department propaganda enabled the company to put over its credit policies to customers in a satisfactory way and with a minimum of friction.

### ***Congratulate the Customer***

Other means of keeping in close and friendly contact with customers were also used. For instance, when the Credit Manager made some substantial increase in the credit limit of an account, or noted some decided improvement in the financial condition of an account, he would write the customer, over his own signature, congratulating him upon the progress of his business. It is easy to imagine the psychological effect of such a letter from the credit manager of a nationally known house upon the man who receives it.

Speaking of changes in credit limits, it should be mentioned here that the Credit Department should never fail to report promptly to the Sales Department accounts on which the limits have been lowered or raised. This information is useful to the Sales Department in determining where to put more sales pressure or when to cut down sales efforts because of unsatisfactory credit conditions. This sort of co-operation between Credit and Sales Departments is as important as co-operation between Credit Department and customer.

It may be interesting to give an outline of satisfactory Credit Department routine. In the first place,

all information of vital importance to the Credit Department is kept on the ledger sheet as well as in the credit file folder. When an account is first opened, the following information on it is shown on the ledger sheet: (a) full name and (b) address, (c) commercial agency ratings, (d) credit limit, and (e) railroad routing, if an out-of-town customer. Spaces may be also provided on the sheet for the following subsidiary information:

Net cash received on each remittance  
Discount allowed, if any  
Freight allowed, if any  
Sales allowance, if any  
Miscellaneous allowances, if any  
Unauthorized deductions, if any

From a ledger sheet, a member of the Credit Department can tell at a glance whether or not a customer discounts his bills and whether or not he is in the habit of making any unauthorized deductions. The Credit and Accounting Departments can, from time to time, check up an account to see whether the various deductions, authorized or unauthorized, have made it profitable over a period of time. After all, the purpose of being in business is to make a profit. If a particular account is unprofitable, it is frequently good judgment to close it, unless conditions can be changed, so as to make it profitable.

Small pencil notations, made on the ledger sheet every day, give roughly the amount of merchandise shipped out that day, to prevent any credit limit's being exceeded, because postings are not up to date. The cashier also makes pencil entries every day showing remittances received, so that there will be no risk of unfairness to a customer between the time payment was received and the posting made.

If the Credit Department checks every order against the ledgers, regardless of the rating of the account, all this information makes possible accurate judgment on all orders. The cost of the additional informa-

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tion shown on accounts receivable is absurdly small, when bookkeeping machines are used.

For obtaining credit information, the two leading commercial agency reports and the Credit Interchange Bureau reports are the first sources.

All information received from reciprocal sources may be tabulated on plain cards filed alphabetically. A great deal of information of no immediate use may be received and maintained at some slight expense, but it is worth while to preserve it,

because sooner or later it may be needed.

When bookkeeping machines are used, statements, sent out the first of every month, are merely exact duplicates of accounts receivable entries. Accounts that have past due invoices may be copied on another form of statement which has a colored space for the listing of items past due. This is the first effort made to call the attention of a customer to a past due invoice and has proved successful in effecting collec-

tions. It has never, in my experience, caused the slightest irritation on the part of a customer.

At the time that statements are sent out, a record on a visible file card should be made of each account with past due invoices. When the amount is paid, a pencil notation indicates the date. This card has the advantage of showing month by month the customers who make a practice of exceeding the regular terms of sale and upon whom collection methods have had to be used.

I have never believed in form letters for collection purposes, even though a dictator will often make use of the same phraseology. A letter, recognizable as a form letter going twice to the same customer may entirely overcome the value of the appeal. If a man feels that his delinquency is handled merely as a matter of routine, he is less likely to hurry up his payment than he otherwise would.

One principle which I have strongly insisted upon is that customers observe the regular terms of sale.

A firm stand in this matter over a period of years will build up a feeling of respect for the company's policies among customers, and rarely, if ever, will any business be lost by a strict adherence to the discount rule. Checks which show a deduction for an unwarranted discount might be returned with a letter something like this:

We are returning your check No. \_\_\_\_\_ for \$ \_\_\_\_\_ in payment of our invoice of \_\_\_\_\_ because you have violated our discount terms which are 2% for cash in ten days.

This check was dated \_\_\_\_\_ and was received by us on \_\_\_\_\_ or \_\_\_\_\_ days past the discount period.

We are always ready to do everything we can for our customers in the matter of service and quality of merchandise, but will sincerely appreciate their reciprocating to the extent of only taking discount when check is sent to reach us by the 10th day.

Cordially and sincerely yours,  
Credit Manager.

P. S. Post marked envelope in our possession shows date of \_\_\_\_\_

The fact that this unyielding policy brought, in my previous connection, average accounts receivable turnover down to eighteen days clearly indicates the benefit of a strong stand against discount abuses.



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Through its world-wide activities Irving Trust Company keeps in close touch with changes in local conditions and trade requirements everywhere. This Company gives valuable assistance and advice to firms seeking new outlets for their products.

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## Adult Education

(Continued from page 18)

cure initial preparation for executive and managerial positions. Others say that they are taking this training in order that they may secure a general business education. Still others frankly say that they want to increase their earnings. Others come because they want to discover the line of business in which they may specialize, while some come because they want to know how to handle more effectively their own business affairs.

Adult education then, it seems to me, contributes to modern business by aiding the business man in the following respects:

- (1) It gives him an adequate acquaintance with the basic principles underlying business as a science.
- (2) It helps him develop the ability to apply these basic principles to actual business problems and situations.
- (3) It aids him in analyzing the business problems and in reaching a sound decision with regard to their solutions.
- (4) It helps him develop that type of personality that will insure the conduct of his business in connection with the higher individual and social ideals.

## Credit Policies of Treasury

(Continued from page 8)

payments for the last fiscal year were \$678,000,000 as compared with over a billion dollars in 1920. Along with reductions in the debt, there have been steady reductions in taxes. Already taxes have been restored to a peace-time level. Over two million individuals, in the lowest brackets, have been relieved of all liability for Federal income taxes, and the substitution of moderate rates for excessive ones has benefited all along the line. Productive business, by being relieved of oppressive rates, has found it possible to expand in orderly manner. As a result the national income has increased; and during the year 1928 the government received revenues adequate for its needs, even with lower rates and fewer taxpayers.

"Pursuing our established policy of tax reduction, I announced on November 13, with the approval of the President, that the Treasury would recommend a reduction estimated to amount to \$160,000,000, in Federal taxes on 1929 incomes.

"This recommendation will probably take the form of a one per cent. reduction of the normal tax on individuals and corporations. In other

words, on the first \$4,000 of taxable income the rate will be reduced from 1½ per cent. to one-half of one per cent.; on the second \$4,000 from 3 per cent. to 2 per cent.; and on the balance the present 5 per cent. rate will be reduced to 4 per cent. The corporation tax rate will be reduced from 12 per cent. to 11 per cent.

"No such recommendation for the reduction of Federal taxes would be made by the Treasury in the absence of full confidence in the immediate future of American business."

"What do you think of the administration of the tax laws?" the Secretary was asked.

"There is no doubt that progress can be made in the administration of tax laws. As a business man I realize how the average man and woman throughout the country view these laws. Many people face with impatience the long and tedious job of making out their income tax return each year. The form which must be filled out doubtless seems unduly long and complicated, and it is not unreasonable that anyone should ask why the law cannot be simplified or the return reduced to a few short, simple questions and answers.

"The answer is that, if the tax laws are to cover all the intricacies

# Progress and economy

## Through Scientific Research

**T**WENTY years ago a Bell telephone subscriber in the United States could talk with a total of 5,000,000 telephones. Today it is possible for him to be connected with any one of 29,000,000 telephones in this and other countries. This vast increase in the value of the service, accompanied by substantial reductions in long distance rates, is due chiefly to the research laboratories where more than five thousand Bell System specialists and their assistants are continually searching out ways of improving telephone service and of holding down its cost to the user.

American Telephone and Telegraph Company stock is the most widely distributed in the world—with more than 450,000 stockholders. No one stockholder holds as much as 1% of this capital stock. The dividend record has been continuous for forty-nine years. The Bell System effects important economies by manufacturing its own instru-

ments and other supplies and by the ownership of patent rights and guarantees. It maintains the largest industrial research organization in the world. It renders an indispensable nation-wide service, making possible in this country inter-communication among more than 20,000,000 telephones and more than 119,000,000 people.

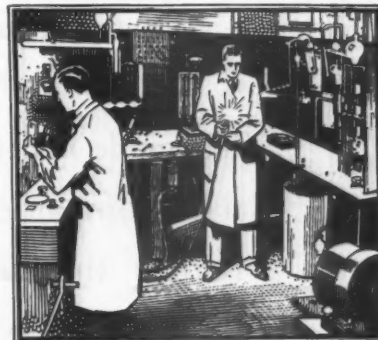
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of modern business, then these laws must of necessity be technical in their provisions. Suppose for example, that for the present law we should substitute the simple statement that 'all income shall be taxable' at given rates, without any attempt to define the word income and ignoring all such complicated matters as exemptions, credits and deductions. What would happen? Neither the Treasury nor the taxpayer would know, for example, whether business expenses were deductible or whether a particular transaction gave rise to a taxable gain. The result would be that

both parties would be obliged to go into court to determine tax liabilities. True simplicity cannot be attained by omitting vitally necessary statements and definitions, but by making them as clear and brief as possible. If such statements are omitted in the name of simplicity, we may perhaps secure brevity, but it will not be true simplicity."

"Where do you believe the real opportunity for improvement in tax administration lies?"

"The real opportunity for improvement lies in simplifying the administration of the tax laws," Secre-

tary Mellon responded, "and this the Treasury is making a determined effort to do. The government is trying to settle each tax case promptly and finally, with due regard for the interests of both the government and the tax payer."

"It was the general rule in both state and federal taxation that, if a dispute arose over the amount to be paid, the dispute was not allowed to postpone payments. This rule has been relaxed by the creation of the Board of Tax Appeals, where the taxpayer can make all claims for additional taxes before payment is required in the ordinary case. If, however, the taxpayer prefers to have recourse to the Federal Courts, then he must pay before bringing suit."

"But this does not mean that the government should keep money to which it is not entitled. If the taxpayer is dissatisfied with the amount he has paid, either upon his original return or as determined by the Commissioner of Internal Revenue a responsible and conscientious official of the Treasury, who has the assistance of expert technical and legal advice then the taxpayer may claim a refund and eventually go to the courts, if necessary."

"I am convinced that the enforcement of the tax laws must remain an administrative problem, not a legalistic one, and that any policy of administration which shuns such responsibility by transferring the problem to the courts for solution, endangers not only the law but the very existence of the income tax."

"The Treasury has not, and will not, evade its responsibilities in this respect. It is in furtherance of its policy never to endanger the integrity of the income tax that it has maintained a consistent attitude with respect to the so-called 'tax publicity' question. The Treasury policy has always been that tax returns, and the information disclosed therein, should under no circumstances be open to public inspection. This policy is based upon the principle that taxpayers should be permitted to contribute their share of the revenue necessities of the government without subjecting their business affairs to the scrutiny of their competitors, of the idly curious, of the solicitors of contributions, and of unscrupulous practitioners seeking out possible future clients."

"This policy is not affected by the

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regulations recently issued by the Treasury providing for the publication of refund decisions. There will be published a brief summary of the relevant facts and a citation of the statutory and applicable judicial authorities. It is believed that the publication of such decisions will remove any possible grounds for misunderstanding or for loose and unfounded charges that the decisions of the Commissioner of Internal Revenue are not made in accordance with law."

"What are the important principles of supporting and maintaining the Public Credit, which you gave as the fourth policy upon which the credit structure of the Treasury system was based?"

"The government tries to carry on its financial operations with the least possible disturbance either to business or to the individuals of the country. Fortunately, in recent years we have evolved the machinery to do this. Last year the government's financial operations involved more than ten billion dollars. Within a twelve month period over four billion dollars was collected, chiefly from customs duties and income taxes. A like amount was paid out; and, in addition to this, provision was made for the Third Liberty Loan which came due in September, 1928, and amounted, at the time refunding operations began, to over two billion dollars.

"It would have been difficult to do this, or even to carry on the government's usual quarterly financing, without some such machinery as that provided by the Federal Reserve System. I will briefly review how such quarterly financing is done so that you may see what I mean by that statement.

"The principal source of government funds is from tax payments, made on quarterly tax payment dates on the 15th of March, June, September and December, and deposited to the credit of the government with the Federal Reserve Banks. If these payments were permitted to remain in the Federal Reserve Banks, outside the ordinary channels of trade, until needed for government expenditures, there would be a stringency in the money market every quarter until the money was distributed to the commercial banks of the country.

"So what the government does to avoid this situation and maintain pub-

lic credit, is to sell short-term notes or certificates timed to mature on quarterly tax-payment dates; and the proceeds, generally speaking, are left on deposit at interest with the subscribing banks to be withdrawn into the Federal Reserve Banks from time to time as needed during the succeeding quarter for the government's current expenditures. When tax payments are received, they are used to pay off in whole or in part these certificates or notes maturing on the same date; and in this way, transactions often involving half a billion

dollars or more on each side, are cleared through the banks in the course of a few days without involving the withdrawal of these vast sums from general circulation even for a single day. If the tax payments and other receipts should exceed the amounts needed for expenditures for any three months' period, this surplus can always be profitably applied in the reduction of the Public Debt. It is in this way that the government is able to carry on its financial operations with the least possible disturbance to business life of the country."

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## Risks Made Safe

(Continued from page 20)

sprinkler systems causing them to flood property, and even the piling of merchandise too near the ceiling has been responsible.

Then beyond the system itself are the gravity water tanks which supply these systems in representing the primary or sometimes the secondary water supply to the equipment. These tanks, which are generally located on the roofs of buildings, have been known to precipitate water into a building following a collapse of the tank due to weakened supports, corroded tressles, separating or cracking of walls, as well as the collapse of the tanks themselves or the staves or bottoms of the tank. These tanks usually contain from ten to fifty thousand gallons of water.

For this reason sprinkler leakage insurance is considered by manufacturing plants, stores, and particularly by warehouses, because the damage to stock in storage from a leaky

or broken sprinkler can be very severe.

There are no general rates applying for this class of insurance, which is somewhat different from the average allied fire insurance lines where the rates usually follow the fire insurance building rate or else standard manual rates are available. Very nearly every sprinkler leakage risk is specially rated just as all larger fire insurance risks are specially rated. These sprinkler leakage rates are made by a central body known as the Sprinkler League Conference. In rating the various risks they apply their insurance charge on the merits of the risk—that is, consideration is given the condition and reliability of the sprinkler equipment, the construction of the building, the damageability of the contents, the watchman and alarm service and all such features.

If specific rates have not been published on a risk for which sprinkler leakage insurance is desired, it is always possible to write a policy never-

theless "at a tentative estimated rate" which is applied for the time being, this rate being taken from the general sprinkler leakage manual of rules. As a rule this temporary rate is higher than the rate which actually develops when the property has been analyzed and rated by the Sprinkler Leakage Conference. When the permanent rate is published it is retroactive. However, this system is followed out so that the assured will not have to wait for his insurance while the details are being carried out of rating the risk.

There are generally two rates offered—a no co-insurance rate and a 25 per cent. co-insurance rate. Higher and lower co-insurance are permitted with the premium being altered in keeping with the percentage of co-insurance decided upon.

As sprinklered risks are usually represented in highly valued properties and properties containing "special hazards," the underwriting of such business is generally handled in what the fire insurance companies term their "sprinklered risk or special risk" department. This is because it is necessary to study the various structural conditions and features of a sprinkler system to determine its value as a fire extinguishing agent.

Sprinkler leakage insurance is also furnished at a very nominal charge under "F. I. A." policies. These initials stand for the Factory Insurance Association, an organization which has been operating for many years and is supported by a large group of stock fire insurance companies in order to make stock fire insurance available to large manufacturing plants equipped with private fire protection.

The Factory Insurance Association negotiates the offering of such insurance only when the agent or broker representing the risk makes such a request and as a rule in order that he can meet mutual insurance competition. The agent as well as the assured has the privilege of selecting the insurance companies which they desire to have carry the insurance, providing those companies are members of the F. I. A. This brings the larger "sprinklered" risks under the direction of this association and as one of the inducements sprinkler leakage insurance is furnished along with the straight fire insurance at a nominal charge.

# "He has an honest face"



Extensions of credit based on the happy arrangement of a man's features are largely things of unpleasant memory. Nowadays an honest countenance does not necessarily indicate an ability to meet one's obligations.

In placing insurance with agents of the Aetna Fire Group, your clients base their choice not on an agent's smiling face, but far better, on an enviable record for the prompt settlement of just claims. They receive sound protection.



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## Commercial Credits and Investment Banking

THE Los Angeles Credit Men's Association is distributing a paper on Commercial Credits and Investment Banking, by F. E. Sanford of Dean, Witter & Co., Los Angeles, in which the writer points out that largely through the investment banker a long time credit is furnished the enterprises of the Nation—more than \$5,000,000,000 a year—which the Commercial Credit Department cannot grant. He says:

"The work of the investment banker affects commercial credits from two different angles, particularly. First, worthy corporations are provided with sufficient permanent capital. Second, the conscientious investment banker assists the successful business man or corporation to safely invest surplus funds not immediately required in the business. They are preserved, and yet made productive, thereby increasing the surplus. Funds are still available when business demands. Wealth is mobilized and made available where properly needed and where it can be profitably employed. The wealth of the nation which has been developed by business, is still further increased, and a foundation laid for an ever increasing credit structure in the future. The credit standing of the investing corporation or individual is automatically strengthened through the increase in their liquid reserves. The tendency to over-expand or invest in frozen, non-productive assets, is minimized by counselling with the investment banker.

"Thus we see that he makes available capital for one group and finds safe employment of it for another. . . .

"As more and more people invest the surplus earnings of their businesses in securities, there will be an increasing amount of assets represented by these items in the statements submitted by applicants for credit. Business concerns or an individual may be investors, and yet seek commercial credit. The amount of credit the statement justifies will not depend upon just the current value of the investment accounts, but the stability of the value of those accounts, and it is here that the credit men and investment bankers should come closer together."

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912, OF CREDIT MONTHLY, published monthly at New York, N. Y., for October 1, 1929. STATE OF NEW YORK, COUNTY OF NEW YORK, ss.

Before me, a Notary Public in and for the State and County aforesaid, personally appeared Rodman Gilder, who, having been duly sworn according to law, deposes and says that he is the editor of the CREDIT MONTHLY, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 411, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor and business managers are: Publisher, National Assn. of Credit Men, 1 Park Avenue, New York City; Editor, Rodman Gilder, 1 Park Avenue, New York City; Managing Editor, None; Business Managers, None.

2. That the owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding one per cent. or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address, as well as those of each individual member, must be given.) National Assn. of Credit men, a non-stock corporation with these officers: Lawrence Whitty, Ed V. Price & Co., Chicago, President; E. D. Ross, Irwin-Hodson Co., Portland, Oregon, Vice-President; H. H. Heumann, Kawneer Co., Niles, Michigan, Vice-President; William Fraser, J. P. Stevens Co., New York, Vice-President; Stephen I. Miller, One Park Ave., Executive Manager and Treasurer; Rodman Gilder, One Park Ave., Asst. Treasurer.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent. or more of total amount of bonds,

mortgages, or other securities are: (If there are none, so state.) None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders, as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is — (This information is required from daily publications only.)

RODMAN GILDER, Editor.

Sworn to and subscribed before me this 23rd day of September, 1929.

RUTH E. HOCTOR,

(Seal) Notary Public, Kings County, Kings Co. Clks. No. 66, Reg. No. 151. Certificate filed in New York County, N. Y. Co. Clks. No. 652, Reg. No. 0-455. Commission Expires March 30, 1930.

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By Frank A. Fall, Litt.D.

Director of Education and Research, N.A.C.M.



# Credit Principles—Economics as an Art— Industrial Balance Sheets

## A New Credit Text

CREDIT AND COLLECTION PRINCIPLES AND PRACTICE. Albert F. Chapin. McGraw-Hill Book Co., Inc., N. Y., 1929. 518 pp. \$4.00.

Sound in principle, modern in practice, and admirable in its arrangement of material, this book by Professor Chapin of New York University is a notable contribution to the literature of credits and collections.

One does not have to get very far into it before he discovers that the book has been written, rather than compiled. It reveals no evidence of the shears and the paste pot, but discloses rather the discriminating thought of a man who knows the credit manager's job as well as the theory which underlies credit practice.

In his class in the New York University School of Commerce, Accounts and Finance, and in the special course he has conducted for the New York Chapter of the National Institute of Credit, Professor Chapin has given this material the acid test. Weighed in the balance, it has not been found wanting. That it will be equally useful to credit managers and other business executives is virtually a foregone conclusion.

There are three main divisions of the text. Part I, "The Fundamentals of Credit," deals with credit and its functions; documentary credit (negotiable instruments); the various forms of credit (investment, banking, retail and mercantile); the credit manager's position, qualifications and future; the organization and functions of the credit department; and the essential factors of a satisfactory credit risk.

The general subject of Part II is "Credit Investigation and Analysis." In this section the author discusses the various sources of credit information, including mercantile agency reports, personal investigations, banks, salesmen and attorneys. Chapters XVI to XX, inclusive, cover the procuring and the analysis of balance sheets and income statements. Statement analysis by comparison is given the emphasis it deserves but by no means always receives.

Part III has a particularly well chosen title, "The Protection and Redemption of Credit." The section begins with four chapters on collection technique, the latter forms being selected with discrimination rather than with the idea of presenting a

large number of types. Professor Chapin's point of view on cash discount is unhackneyed, and well worth the careful thought of both student and credit manager.

Chapter XXV deals with "The Creditor's Legal Aids," and the concluding chapters are concerned respectively with "The Insolvent Account," "Bankruptcy," "Adjustment Bureaus," "Credit Insurance and Guaranties," and "Activities of the National Association of Credit Men."

Prophecy is possibly outside the province of the book-reviewer. And yet, after reading this book in galley proof and going over it again in its final form, the present reviewer is inclined to venture the opinion that it will receive a hearty welcome. It has already been placed on the list of approved texts of the National Institute of Credit and will, in all probability, be used as the basis of a new Institute correspondence course in Credits and Collections.

The volume undoubtedly "clicks." It is all of a piece. It has very few foot-notes and no statistical tables designed to impress the reader rather than to inform him. It is a workmanlike job from cover to cover, and Professor Chapin may confidently expect it to bring him and his publishers the sincere appreciation of many students and business men.

## Economics As an Art

THE USEFUL ART OF ECONOMICS. George Soule. The Macmillan Co., N. Y., 1929. 250 pp. \$2.00.

The popularization of economics continues. It has long been known as "the dismal science," preventing us from doing what we want to do with the world. Economic laws, according to the early writers, make poverty necessary for the majority of the human race. Wages could never, for very long, rise far above the level of mere subsistence. All surplus production would gravitate to the land-lords or some other favored class.

Yet, Mr. Soule tells us, there are always large groups of people trying to exercise economic control of some sort,—business men who try to stimulate industry by protective tariffs; workingmen who combine in unions to exercise influence over wages and hours; farmers who, by means of marketing associations and legislation, try to raise the prices paid for their products; and industrialists who try to com-

bine in various ways so that they may be less helpless in the stream of markets and prices. We are then, in practice, far from rendering obeisance to the theory of an unbeatable, automatic mechanism in practical affairs.

What we really want, the author suggests, is economic liberty, and true progression toward economic control is the only thing that can give it to us. This may seem to be a paradox. It may be argued that traditional individualism allows everyone to do what he wants, and an increase of control denies him, in the interest of the state, that freedom. But, says Mr. Soule, a man alone and naked in a jungle is not free. The only possible freedom consists in the ability to deal with his surroundings. Give him the right kind of clothes, a compass, the means of making a fire, a few simple tools, weapons, medicines and vaccines, and he may escape. Give him enough intelligent and co-operative companions, who can direct their joint labor without undue waste, and he can create or find a place fit for human habitation.

What the author has to say about control as applied to monopoly is particularly timely. He suggests that in industries which have no serious difficulties and which are in part competitive but dominated by one or more very large concerns, we might safeguard the public interest by a system of profits recapture which would redeem for public uses at least part of the gains arising from any extortionate prices. Such a plan would be particularly applicable to those industries where production is limited in order to maintain prices, where the marginal, high-cost producers do not tend to disappear, and where the powerful concern which enjoys the lower costs and limits the production receives immense profits.

Such a plan of taxation or recapture would almost of necessity, Mr. Soule believes, rest upon the establishment of uniform accounting practices and publicity of accounts. There would have to be a standard method of determining the true investment in the concern in order to reckon the rate of profits.

In important industries where private interests cannot achieve adequate control (such as coal mining) or where monopoly exists or should exist, although regulation

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of it in the interest of the public is difficult or wasteful, Mr. Soule suggests that public ownership under a modern form of administration might well be attempted. The performance of such industries, he believes, might be made to serve as an experimental check upon the performance of privately owned industries.

### A Study in Business Analysis

INDUSTRIAL BALANCE SHEETS. Myron M. Strain. Harper & Brothers, N. Y., 1929. 182 pp. \$3.50.

In this book the emphasis is placed on procedure in statement analysis, rather than on theoretical principles. The parts which deal with theory simply restate such principles as have proved useful in practice, and warn against those which have been confusing rather than helpful.

The opening chapter serves as an introduction to the materials of the balance sheet. Mr. Strain then takes up the problems of valuation and verification, the preparation of the balance sheet for analysis, and the various internal balance sheet relations. He next discusses external tests, informal indicators and ratio variation in principles and practice.

Chapter IX covers "Complete Accounting Reports" and the final chapter deals with such subjects as consecutive analysis and analysis files. A special section is given to bibliography, acknowledgments, an Appendix of balance sheets for analysis, and a four-page Index.

There is unquestionably a field for a compact volume dealing with the basis of balance sheet values and the methods of verifying them. Mr. Strain's book is designed to give the man who has a fair working knowledge of accounting principles the background necessary for effective appraisal of statements and reports, and it is particularly helpful in that it warns of some of the difficulties and pitfalls that may defeat statement analysis before it begins.

In the author's opinion the analysis should know, first of all, what a properly prepared balance sheet should contain, and what its terms mean. If it is an unaudited statement, he should be on the alert to discover any irregularities that might distort his picture, and make comparison with every other source of information, including previous statements, and by inquiry addressed to the customer on doubtful points.

Mr. Strain is unnecessarily rough, and not completely accurate, in some of his comments on what he chooses to call "the unworthy and unappreciative fellows who have to pass on credits." On page 17 he remarks that "the indifference of the latter to the value of certified statements is baffling, amazing and inexplicable. The National Association of Credit Men makes a \$1,000,000 war on a few commercial criminals, unlooses bales and carloads of tracts to educate the trade debtor in the use of

trade acceptances, the desirability of prompt payments, and the preservation of purity of cash discounts. But never a word does it emit to educate the debtor in the value to him, to his credit, and to his creditor of a dispassionate and uncolored analysis of his position."

Such comments as these are written more in heat than in wisdom. The National Association of Credit Men is fighting not a "few" commercial criminals, but many. As for "bales and carloads of tracts," the Association could not even store them, —much less circulate them. And the pronouncement about the lack of education in statement analysis is as inaccurate as it is broad. Much of the Association's "Business Service" program has to do with educating the retailer in the value to him of statement analysis. This point, it is true, should be stressed more strongly than it has been, and if Mr. Strain's short-arm punches will help in that direction, no one who is really interested in a sound credit technique should be disposed to complain.

### Mutual Charge Account Service

A MUTUAL charge account service has been instituted by the Mutual Purchasing Association of Washington, D. C. The Association has as members 175 retail merchants of Washington, representing 37 lines, who will accept purchasing orders issued by the Association to its customers.

All persons regularly employed at a salary sufficient to meet their obligations are eligible to become customers of the Association. The Association issues purchasing orders to its customers up to specified amounts, in various denominations. The service is free of interest and service charges to customers. The affiliated merchants allow the Association a commission for business directed to them.

The customer makes payment to the Association and is given five to eight months in which to clear up an account. The arrangement for payments on running accounts is as follows: accounts not exceeding \$50, \$10 a month; not exceeding \$75, \$15 a month; not exceeding \$100, \$20 a month. Larger accounts are paid in proportionately larger instalments.

A special arrangement covers accounts for which a longer period of payment is desired. An initial payment of 20 per cent. is required, and the balance is paid in eight equal monthly instalments. This applies only to accounts for \$100 or more.

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## Addresses Wanted

This column is read by some Credit Managers before any other feature of the magazine. Any member of the National Association of Credit Men can have names listed herein. He has only to send the names to the secretary of his local Association of Credit Men or to S. Ardron, Jr., Credit Protection Department, N. A. C. M., One Park Ave., New York. Members are requested to mention the line of business as well as the last known address.

**BARCLAY, CHARLES**, 4 Penn Blvd., Mamaronck, N. Y.  
**BENNETT, A. PAUL**, Hampton Roads, Scarsdale, N. Y.  
**BLEUER, E. M.**, Meat Dealer, formerly 718 W. Randolph St., Home address, 4144 Southport Ave., Chicago.  
**BROWN, CHARLES H.**, lived in Green Bay, Wis., for a long time. Moved from there to Rockford, Ill. In the business of organizing Finance Companies.  
**BROWN, KOLUR**, formerly working for the Italian Vineyard Co., Chicago, intended operating as the Italian Vintages Co. Probably in Detroit or Milwaukee.  
**CLARK, JOHN F.**, formerly living at Hummelstown, Pa. Occupied small shop, pressing clothes, sold small amounts of clothing.  
**DRAYMAN, C. L. FULTON**, 3027 Givens Ave., Memphis. Reported to be in California.  
**DYER, J. BASS**, formerly in business at Chattanooga. Present whereabouts unknown, but likely around Birmingham.  
**EGERS, JOHN**, 7632 Maple, cor. Adams, New Orleans. Now located in the suburbs of New Orleans.  
**ESPINOLA, PEDRO**, Petes Service Station, 5th Ave. and 15th St., Tampa.

**GROSSMAN, (HARRY) & (ALBERT)**, t. a. Brighton Furn. Co., 1307 Brighton Beach Ave., B'klyn.  
**HARDING, GEORGE**, E. 53th & Scoville Ave., Cleveland.  
**HENNESSY, J. P.**, formerly of Hanover, Pa. Now reported to be located at Darby.  
**HOLLINGSWORTH, J.**, dealing as Hollingsworth Co., 107 Market St., Pittsburgh. Went to California.  
**HULL TRANSFER & FURN. COMPANY**, formerly at 14719 Detroit Ave., Cleveland.  
**LENTIN, MIKE**, Commission merchant, formerly at 825 N. Third St., St. Louis.  
**MAJESKI, JOSEPH**, 1478 Stuyvesant Ave., Trenton; t. a. Capital City Sundries Co.  
**MENDOZA, MARTIN J.**, formerly of New York City. Last address known 1708 Spring St., Little Rock, Ark.  
**MORRIS, G. HOWARD, D.D.S.**, Statler Bldg., Eaton, Ohio.  
**NUDELMAN, MORRIS (MRS.)**, formerly at 400 S. 8th St., Chicago. From July, 1927, until recently, located at 208 51st St., Chicago.  
**PARSHALL, D. M.**, formerly of Fenton and Birmingham, Mich.  
**RIFKIND, V.**, formerly of 38 Riverdale Ave., Yonkers, N. Y.  
**RITTER, J. W.**, 320 E. Hudson, Columbus, Ohio.  
**ROSENBERG, RAPHAEL**, formerly trading as Exchange Furn. Co., 1435 Nostrand Ave., B'klyn.  
**RUBIN, SAMUEL**, formerly in the Dental Supply business, No. 1 Union Square, N. Y.  
**SARGEANT ELECTRICAL INTERNATIONAL CO.**, 118 Broad St., N. Y. Mr. Edmund C. Sargeant reported to be President and Treasurer also interested in Advertising Novelties Co., at same address.  
**SCAFE, W. F.**, prop., Scafe Drug Co., 31st & Brooklyn Ave., Kansas City, Mo.  
**SHIELDS, G. C.**, Bridgeport, Ohio.  
**SMITH, CHARLES**, 42 Railroad Ave., New Rochelle.  
**SOLOMON, L.**, also t. a. M. Breitkopf, 90 Bloomfield Ave., Montclair, N. J.  
**WHITBECK, FOSTER**, Manhattan, Kansas.  
**ZITRIN, SAM**, 8401 5th Ave., B'klyn.

## One Month's Convictions

Credit Protection Department of the National Association of Credit Men

SEPTEMBER, 1929

CASE	INDIVIDUAL	CHARGE	SENTENCE
Geo. Saltzman Co., Inc., New York City (Textiles)	George Saltzman Charles Saltzman	Con. of assets and conspiracy	18 months 1 year and 1 day
New Hope Supply Trading Company, Louisburg, N. C. (Genl. Mdse.)	Sidney E. Ramey Kinton Whitt	Use of mails to defraud	18 months 1 year and 1 day
Stovall Mercantile Supply Company, Stovall, N. C. (Genl. Mdse.)	Sidney E. Ramey Kinton Whitt	Use of mails to defraud	18 months 1 year and 1 day
Halifax Dry Goods Co., Halifax, N. C. (Dry Goods)	Kinton Whitt	Use of mails to defraud	1 year and 1 day
Rand Manufacturing Co., Philadelphia, Pa. (Mfr. Dresses)	Pincus Rand	Concealment	Deferred
Ahoskie Supply Furnishings Co., Ahoskie, N. C. (Genl. Mdse.)	R. D. Whitehurst	Use of mails to defraud	1 year and 1 day
E. C. Nichols Dry Goods Co., Bangor, Maine. (Dry Goods)	William E. Quirin	Concealment	Deferred
Ben Kris, Mason City, Ia. (Clo.)	Ben Kris	Subordination of perjury	90 days Webster Co. Jail
L. D. Berkower, Cleveland, Ohio. (Fur Mfrs.)	L. D. Berkower	Concealment of assets	6 months County Jail
The Tomlin Co., Jackson, Tenn. (Men's Furn.)	C. H. Williams	Misappropriation of funds by trustee	Deferred
Harry Perimeter, Plainview, Nebr. (Gen'l Mdse.)	Harry Perimeter	Concealment of assets	Probation for 3 years and to pay creditors in full
Piggott's Inc., Bay City, Michigan. (House Furnishings)	Warren Piggott	Vio. Postal Laws	10 years Leavenworth Penitentiary
Alex George, Chadron, Nebraska. (Variety Store)	Alex George	Concealment of assets	7 months imprisonment in County Jail, Chadron, Nebraska.

Total of 793 Convictions from June 1, 1925, to September 30, 1929.

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Charles Lamb partaking of his favorite dish, roast pig, celebrated in his essay, "Dissertation on Roast Pig," from the "Essays of Elia."

### Kindly Charles Lamb Wanted to Hang Bankrupts

Bankruptcies are by no means modern institutions sprung up to try the souls of credit managers. Bankrupts there were long before credit managers existed, before Adjustment Bureaus and Business Service had come into being to prevent many woeful failures and to salvage many losses. In the old days, nothing was expected of a bankrupt but that in his downfall he would bring ruin upon many unfortunate victims; and there was no organization to help or protect them.

Charles Lamb, that least worldly of humorists and most charitable of men, was once provoked by a bankruptcy,—which involved his friend, William Hazlitt,—into a denunciation of bankrupts that may, in an occasional moment of exasperation, find an echo in the hearts of some readers of the Credit Monthly. The following is an excerpt from Lamb's letter to his friend, the Quaker preacher and poet, Bernard Barton, December 9, 1829:

With such a load of dignified cares just removed from our shoulders, we can the more understand and pity the accession to yours, by the advancement to an Assigneeship. I will tell you honestly B. B. that it has long been my deliberate judgment, that all Bankrupts, of what denomination civil or religious whatever, ought to be hang'd. The pity of mankind has for ages run in a wrong channel, and has been diverted from poor Creditors (how many I have known sufferers! Hazlitt has just been defrauded of £100 by his Bookseller-friend's breaking) to scoundrel Debtors. I know all the topics, that distress may come upon an honest man without his fault, that the failure of one that he trusted was his calamity, etc., etc. Then let both be hang'd. O how careful it would make traders! These are my deliberate thoughts after many years' experience in matters of trade. What a world of trouble it would save you if Friend ——— had been immediately hang'd, without benefit of clergy, which (being a Quaker I presume) he could not reasonably insist upon. Why, after slaving twelve months in your assign-business, you will be enabled to declare seven pence in the Pound in all human probability. B. B. he should be *hanged*. Trade will never flourish in this land till such a Law is established. Half the world's misery (Eden else) is owing to want of money, and all that want is owing to Bankrupts. I declare I would, if the State wanted Practitioners, turn Hangman myself, and should have great pleasure in hanging the first after my salutary law should be established.

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Proved, effective credit and collection methods based on practical experience fill this authoritative handbook—just published.

## Credit and Collection

### Principles and Practice

By ALBERT F. CHAPIN

Assistant Professor of Finance, New York University

518 pages, 6 x 9, \$4.00

**S**IMPLY, yet thoroughly, this book gives the fundamental principles of sound credit and collection administration and lays before you the methods by which they have been successfully applied by leading business concerns. The book is comprehensive, covering every phase of the work in detail under three major divisions—Fundamentals of Credit, Credit Investigation and Analysis and the Protection and Redemption of Credit. It is authoritative. For years a credit manager himself, the author brings to this book all the knowledge gained in long practical experience and in continued research into the policies and systems of the country's biggest commercial enterprises.

#### Gives workable facts

Here is complete information for running the credit department on a sound, profit-supporting basis, told in logical, understandable form for ready application to your own problems. This book will bring you a broader and more modern conception of credit and collection work—a wealth of vital and constantly usable ideas—the answers to all your problems both large and small.

#### A few of the many important topics covered

Credit and its functions—Documentary credit—Retail credit—Mercantile credits—Factors of a satisfactory credit risk—Investigating credit factors—Special mercantile agencies—Personal investigations and banks—Collections—Collection tools—Collection letters—The insolvent account—Credit collection and guaranties.

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National Association of Credit Men—One Park Avenue, New York

## "Over the Million Mark by Christmas"

**O**VER the million mark by Christmas" is the new slogan of the Credit Protection Campaign.

With only one month more to go, the campaign is noticeably speeding up in all districts which have not yet reached their quotas. Three new local campaigns have just been started in important districts, and four other districts are to launch campaigns during December.

Detroit, capital of motordom, is the latest to enter the lists of campaign cities. Grand Rapids, Lansing, Jackson and other industrial cities of Michigan are also making preparations for local campaigns. C. A. Rogers of the Federal Motor Truck Company is chairman for Detroit.

The important Southeastern district, comprising the states of Georgia, South Carolina and Florida, has also started its campaign recently under favorable auspices. The campaign was officially launched in Atlanta on Nov. 14 at a joint meeting of the Atlanta Association of Credit Men, the Retail Merchants' Association and the Retail Credit Association.

The Credit Protection Campaign in Texas was launched recently in Waco at a special conference attended by representatives from seven Texas cities. Local quotas were discussed and plans for local campaigns in each of the cities were outlined at the conference. D. S. Dodson is serving as state chairman.

Four more campaign districts are scheduled to start work during the present month. Considerable preliminary work has already been done in the Indiana district, which includes, besides Indianapolis, the subsidiary cities of Fort Wayne, South Bend, Evansville and Terre Haute.

The Chattanooga district, which includes Knoxville and Bristol, is scheduled to put on its campaign early in December. C. R. Haensch is chairman for the Chattanooga district and A. C. Burchett, a director of the N. A. C. M., is chairman for the Memphis district, which is also scheduled for a December campaign.

The Richmond district, including all of Virginia and North Carolina, will be the last to undertake a campaign. W. A. Williams, general chairman for the district, plans to make it one of the first in point of results.



## The Credit Protection Fund

A Call from the National Chairman, Wm. H. Pouch

We are nearing the end of our 1929 Campaign for the Second Credit Protection Fund. Now is the time for every association in the Eastern and Central Divisions to put aside other matters if necessary and concentrate its full forces upon the completion of this Fund.

To date \$740,000 have been reported. We have the assurance of the associations which did not reach their quotas last spring that no effort will be spared materially to increase the amounts they each have reported.

Minneapolis, St. Paul, Duluth, Milwaukee, Chicago, Detroit, Louisville, St. Louis, Kansas City and Baltimore are in the midst of their campaigns and are reporting good progress. Indianapolis, Washington, Richmond and the Associations in the south are about to launch their campaigns.

A conservative estimate of results in these associations and from the follow-up work being done in New York, Boston, Philadelphia and other associations beginning work last spring, indicates that we shall have at least \$1,000,000 by January 1st. Plans are under consideration for increasing this amount and with the hope that during the next five years the Association will have not less than \$1,750,000 for the support of its Credit Protection Department.

So now, for a long pull, a strong pull and a pull all together to finish the campaign this year with at least \$1,000,000. The National Committee hopes that every association, even the smallest, in the Eastern and Central Divisions will put its best men to work, personally to ask the subscription of every important firm and business in its membership and community.

Do it now, that we may all go into the new year—1930—feeling that we have done our full part to help curb credit crime and thereby to safeguard our own and the nation's business.

# Answers to Credit Questions

National Association of Credit Men

One Park Avenue, New York

## Too Late

When this fire  
fighter arrives on  
the scene, it is too  
late to wonder  
whether you are  
adequately covered  
by insurance.

Look into your  
insurance coverage  
*now*—before fire  
has a chance to do  
its work. Arrange  
for adequate,  
sensible and  
economical  
coverage in a  
strong company.  
Insure in the

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Insurance Company  
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Over \$78,000,000 Losses  
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### As To Legal Advice

**T**HE National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in the Credit Monthly. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principles of law involved.

—E. P. P.

### Bulk Sales Statute—New York

**Q.** In the event of a sale in bulk, should the seller fail to notify the purchaser of the business of an obligation due by the business which the seller contracted prior to the sale to the purchaser, would that relieve the purchaser under the Bulk Sales Statute?

**A.** The courts have held in a number of cases that, even though the seller fails to include the name of one of his creditors, whether accidentally or by design, the sale cannot be set aside as fraudulent and void if the buyer has acted in good faith and complied with the statute by notifying all of the creditors whose names are included in the list which he received. See Bulk Sales, Credit Manual of Commercial Laws, 1929 edition, page 32.

### Assumed Name Law—Texas

**Q.** What is the responsibility of a married woman doing business in Texas as a partner of her husband, where a certificate has been filed under the Assumed Name Law?

**A.** With regard to the assumed name feature, it is rather interesting to note that the Assumed Name Act is included in both the Civil Statutes and the Penal Code of the State. Article 5924, etc., of the Civil Statutes is practically the same (although not word for word the same) as Article 1067, etc., of the Criminal Statutes of the State. Our interpretations have more or less leaned toward the criminal feature imposing a fine of not less than \$25.00 nor more than \$100.00 for a violation of the Assumed Name Law. Failure to comply with the Assumed Name Law does not vitiate a contract entered into by one who has not complied with the Assumed Name Law.

We mention these things for the reason that we do not believe the filing of a certificate under the Assumed Name Law bears any particular relationship to the matter of responsibility.

We know of no decisions touching on the liability of a married woman who is in business as a partner with her husband, and therefore are stating our reaction with regard to such laws as are on our statute books. Under the laws of the State of Texas, provision is made for community property of husband and wife as distinguished from separate property. There would be no good reason for a woman joining in partnership with her husband because of the fact that any accrual of property or earnings affected by the husband is regarded as community property in which the wife shares in an equal division with her husband. Community property is considered as all property acquired by either the husband or wife during marriage, except that which is the separate property of either. With regard to separate property, it may be stated that separate property of either husband or wife is that property, both real and personal, owned or claimed by either before marriage and acquired afterward by gift, devise or descent. Rents and revenues derived therefrom is not considered separate property.

A particularly important feature with regard to the wife is covered by Article 4626 of the Revised Texas Statutes. This article provides that a married woman may with the consent of, and joined by, her husband apply by written permission to the District Court (this corresponds to the Supreme Court) and ask the Court to remove her disabilities of coverture and declare her a feme sole for mercantile and trading purposes. If, after a hearing, the court grants this right, then the married woman may in her own name, contract and be contracted with, sue and be sued, and all of her separate property not exempt from execution under the laws of the State shall thereafter be subject to her debts and liable under execution and her contracts and obligations shall be binding upon her.

If a married woman has had her disabilities of coverture removed she would be in a position to become a legal partner in business with her husband and would be liable for obligations just as any other partner would be, and her separate property would be liable for partnership debts. If her disabilities were not removed, then of

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course her separate property would not be liable. Where she was not a partner the community property of husband and wife, except such as is exempt by law, would be liable for the debts of the husband.

While there is no case that we have been able to find on the subject, the case of *Stevens vs. Lilley*, et. al. 7 S. W. (2nd) 883 might be found interesting reading for such dicta as appear therein.

### Disposition of Trust Funds in Hands of Bankrupt

**Q.** When a customer has forwarded an order accompanied by money to a merchant and the merchant goes into bankruptcy three days after receipt of the order and money and before filling and shipping order, has the customer a preferred or general claim?

**A.** The customer would be entitled to a return of his money in full. His claim might be termed a preferred claim but in fact it is a claim for trust funds and probably would be returned upon proper motion by an attorney to the court.

### Preferred Lien

**Q.** In cases where a judgment is a preferred lien, does the preference cease when the execution expires? If that is the case, does the preference take effect again as soon as another execution is issued?

**A.** The Bankruptcy Law provides that all liens which are recognized by the State Law shall be recognized by the Bankruptcy Court except as otherwise provided. The status of creditors' claims is determined as of the time of the filing of the petition in bankruptcy. If a lien exists at the time of the filing of the petition in bankruptcy, by virtue of a levy, the fact that execution expires would not, in our opinion, affect the validity of the lien.

### Foreign Corporations

**Q.** Does the maintenance of a sales office in New York City, in which a stock of merchandise for quick delivery to New York customers is kept make a Connecticut corporation liable to the foreign corporation laws of New York State, all orders being subject to the approval of the Credit Department in Connecticut and all billing, bookkeeping and banking being done there?

**A.** The law of New York State requires any foreign corporation which is doing business in New York to obtain a license from the Secretary of State. The maintenance of a stock of merchandise in New York in our opinion brings the case in question within the requirements of the statute. The penalty for failure to comply with the law, however, is merely that

suit may not be brought in the courts of New York State on any contract made within the state. It does not affect the right of the corporation to bring suit on a contract which is not made within the state of New York. See *Eclipse Silk Mfg. Co. vs. Hiller*, 145 App. Div. 568, 572.

### Health Education



**F**REQUENTLY responsible for the management of a large office force, the Credit Manager realizes that the pressure of affairs especially in city life, often results in failure to adjust oneself to conflicting demands and this may mean ultimate breakdown.

In such cases it is quite obvious that mental and emotional attitudes can affect the success or failure of the enterprises in which we are engaged. But does not the quality and direction of thinking also affect diseases which are not commonly associated with thinking, such as tuberculosis for example, known to be a germ-carrier disorder? A moment's consideration will show the importance of mental attitudes in relation to tuberculosis.

Facilities exist in many communities for observation of high school students and for finding those in danger of tuberculosis before the point of imperative and drastic action has been reached. Public health nurses, including school nurses, have been financed in many communities with money

raised by Christmas seals. Work along the same line, carried on by tuberculosis associations, helps to inculcate health habits in the young which will form the right—that is, the effective—mental viewpoint, and drive home the fact that health depends on choosing courses of conduct compatible with effective functioning.

The Christmas seal sale itself is educational. Speakers who urge people to buy the seals also spread health information and knowledge. What the symptoms of tuberculosis are; that it is curable if taken in time; that periodic health examinations preserve health; that the tuberculin-test and X-ray are invaluable aids in the discovery of the disease in doubtful cases, especially among the young—these facts are becoming known to everybody who buys or who sells the Christmas seals in every town, city, and hamlet in the country.

The manager of an office knows the soundness of such advice as this to office workers: "Take a little time out once in a while to relax the whole body, open the windows, take a walk in the sunshine during your noon hour, eat nourishing and well balanced meals, stop worrying, keep yourself physically fit by consulting your doctor regularly once a year before sickness can attack you instead of after it has."

Elizabeth Cole.

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# The Credit Manager's Office

## An Idea and Experience Exchange

### Merchandise Pick Up and Delivery System

*Dallas.*—The forms described herein can be used by concerns whose salesmen pick up merchandise for credit, such as unsalable or overstock, and for delivering direct to customer.

The economical feature of this system is surprising. The writer always strives to create new forms which will eliminate a duplication of effort.

Under the old method, when a salesman picked up merchandise for credit to the customer's account or over-stock to be resold, he would have to report the transaction to the house. Then the office would write up a credit memo, and mail it to the customer. If good, merchandise would be charged to the salesman's missionary stock. When the salesman sold missionary stock he would deliver on his regular order blank and then we would bill the customer from this office.

The old system involved much duplication of effort, and used many envelopes, stamps, invoices, credit

memorandums and time of our employees in our receiving department and office.

The form we call *Pick up and Delivery* eliminates all of this. The one writing does the whole job. It finishes the transaction while the salesman is on the job. This form consists of the original, two duplicates, and a tissue copy bound in book form, eight and one-half by five and one-half inches, fifty sets to a book:

NUMBER ONE—The *Customer's Copy* is the same color as our regular stationery, which in our case is golden-rod. This should be considered, as your customers become accustomed to your color scheme.

NUMBER Two—The *Delivery and Office Copy* is Canary yellow.

NUMBER THREE—The *Stock Copy* is Green.

NUMBER FOUR — *Salesman's Memorandum* is White Tissue. Numbers One, Two and Three are perforated.

Blanks No. 2 and 3 have the fol-

following printed notice as to sales terms:

This order is not subject to any change of terms or conditions that are not mentioned in this contract. Countermands will not be accepted. Purchaser hereby agrees to pay at Dallas, Texas, purchase price of goods hereby purchased and hereafter at any time purchased from aforesaid Company with interest from maturity and 15 per cent. attorney's fee if placed with an attorney for collection and a minimum suit fee of \$7.50 if collected by suit. Note terms of payment. Goods are not returnable.

The following instructions are to be followed by salesman when picking up good or damaged merchandise:

1. (From) Always write customer's name and town, if a pick up.
2. (To) Salesman's name Missionary Stock, or Company's name. If good merchandise for resell, write your name (Nothing else), and send in *green* and *yellow* copies. If you intend to return to office, write Southwest Cigar Company on top line, send *yellow* copy in with your day's work, and wrap *green* one with the merchandise for identification when received by the receiving department.

[illegible]

*This is the Customer's Copy (golden-rod yellow) of the Pick-Up and Delivery Form used by the Southwest Cigar Company. The Delivery and Office Copy and the Stock Copy are similar in form, but bear a printed notice concerning sales terms and are of different colors.*

**Important**—All merchandise to be returned to the house must be sent in every week.

3. (Pick Up) Always write CREDIT MEMORANDUM across the face in letters at least one inch in height.

**Important**—If you collect from customer at the time of pick-up, and deduct same, do not leave any copy with him, but pin customer's copy to the *Golden Rod* with check and collection report. If he wants a copy, write on same that it was used with check to pay account, so he won't use it again.

4. (Pick Up deducted from Cash Sale) Always write on face of same—DEDUCTED FROM CASH SALE.

5. (Credit Memo left with customer) Insist that this Credit Memo be sent in with check when customer uses it. This will eliminate the customary habit of a customer using Credit Memo twice.

6. (Missionary Stock or Merchandise delivered by Salesman) Always write customer's name and town on top where it says "To" and your name on bottom where it says "From."

**Important**—Write legibly, watch your pricing and extensions. Remember mistakes are *expensive*. Be sure to send all delivery orders in every night to avoid too many days between the date on invoice you leave the customer, and the date on our books as posted.

H. G. HILD,  
Southwest Cigar Co.

### An Efficient Collection System

**Lansing.**—Following is a brief description of our collection system, by means of which we handle 40,000 or more accounts each year. It may present some new ideas to those who are directing the collection of both home and branch office accounts.

When an account first becomes past due, reference to its condition is made by a red pencil notation opposite the past due items on the customer's statement somewhat as follows: "Overlooked?"

For follow-up purposes statements so marked are listed and in ten days the addresses and amounts of the unpaid past due items inserted on the list and a gentle reminder sent in letter form. After this the list is discarded and from that time the letters continue at the rate of two or three a month until the account is paid or placed for collection.

Past due accounts for each individual month form a separate group handled as a single unit. A letter of the same wording goes to each customer in a given group with the exception of slight variations as to amounts, etc. Copies of each group unit of letters are filed for follow-up ten days from date, saving much time at filing and following. And, as acknowledgements give reference dates, no difficulty is experienced in matching up correspondence.

The Company's branches supervise their own credits, but the accounts are kept at the home office. The branches handle their collections from the regular monthly statements of accounts. As the branches extend from coast to coast, it is not possible to have the accounts posted up to date before statements are mailed.

A notation is printed on the statement to the effect that late items may not appear thereon. Statements are started on the last day of the month and mailed on the first and second days of the month. Statement making is a two days' job for four people and three statement machines.

Statements of branch customers' accounts are sorted into two groups,

not due and past due. With the past due statements, each branch receives a four-column statement headed, "Statement of Accounts in Arrears", which provides space for customers' names and the amounts past due for each of four preceding months. A copy of this is retained at the home office, checked over at mid-month, accounts paid are ruled out, and the statement otherwise brought up to date and mailed to the branch. This supplies them with collection and credit information twice monthly, on which they can make notations of payments received by them and forwarded to the home office.

When a branch account reaches the fourth column, the collection is taken over by the home office and from that point virtually loses its identity as a branch account, except that the branch receives copies of all letters to their customers.

With general reference to the plan of saving specimen copies of collection letters to be used as guides in formulating new letters from month to month, this is especially helpful for use in any specific campaign of collection letters.

O. P. DEAN,  
Lansing Company.



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# Court Decisions and Washington Notes

## Negotiable Instruments

### TRADE ACCEPTANCE. Negotiability.

A certain corporation known as the Otis Oil Burner Corporation secured from these defendants acceptances of certain instruments, in writing. These instruments were endorsed by the Otis Oil Burner Corporation and purchased from that company by the plaintiff before maturity. Defendants contend that the instruments were not negotiable because of the words "the obligation of the acceptor arises out of the purchase of goods from the drawer" appearing on the face of each. Held that the words "obligation of the acceptor hereof" mean the obligation upon the acceptance itself and not the obligation upon the contract of purchase, and consequently, the statement here involved is equivalent to a statement that the instrument upon which the acceptor is obligated by his acceptance, or, in other words, the trade acceptance itself, arose out of the purchase of goods. The order to pay is unconditional. The sentence under discussion is expressly covered by section 22 of the Negotiable Instruments Law. Judgment for defendants reversed; new trial ordered. *Coopersmith vs. Maunz*. Supreme Court, App. Div. 4th Dept. N. Y.

### NEGOTIABLE INSTRUMENT. Sealed Promissory Note. Limitation of Action.

The note sued on is in the conventional form, but to the right of the signature of each of the makers appears the word "(Seal)". Held that the common law rule was that the affixing of the seal destroyed negotiability and constituted the instrument a specialty. In the absence of statutory influence on the rule, it would necessarily follow that an action on a promissory note under seal must be brought in covenant or debt. A part of the uniform negotiable instruments act, provides: "The validity and negotiable character of an instrument are not affected by the fact that it \*\*\* bears a seal \*\*\*." Another statute provides that an action on any contract, obligation or liability founded "upon an instrument of writing under seal," shall be commenced within twenty years; an action upon any contract not under seal shall be commenced within five years. A promissory note in the usual form but under the seal of the maker as this note is, is an instrument of writing under seal to which the twenty year limitation applies. *Gracovauer & Ano. vs. Carlton National Bank*. Supreme Court, Florida. Decided October 28, 1929.

### ASSIGNMENT FOR BENEFIT OF CREDITORS. Rights of Assignee.

Held that the assignee stands in the place of the assignor, and can assert no claim to property which the assignor might not, and in this action by the assignees of a drilling company to recover moneys alleged to have been fraudulently paid to defendants in fraud of creditors, where the assignees are seeking to recover on behalf of the creditors of the drilling company, but the drilling company does not appear to be insolvent, the drilling company would not be entitled to recover the money paid to defendants, and under the circumstances, the assignees are in no better position than their assignors and they are not entitled to recover from defendants. *Smith &*

*Ano. vs. Kirkpatrick et al.* Supreme Ct. Calif. Decided October 24, 1929.

### RESCISSION OF CONTRACT. Laches. Reasonable Time.

Plaintiff purchased electric refrigerators from defendant with a provision in his contract that if they were not satisfactory, he could cancel his contract and receive his money back. Over two years afterward, he complains of defective refrigerators and sues for his money back. Held that after discovering facts justifying rescission, the party is entitled to a reasonable time to decide upon the course he will take, but he must act with a measure of promptness. He has a reasonable time only in which to exercise his right to rescind. Laches of plaintiff here precluded recovery. *John S. Hudson Incorporated vs. Power Plant Engineering Company*. Supreme Court, Washington. Decided October 19, 1929.

## Banks and Banking

### CASHIER'S CHECK. Liability of Reorganized Bank.

The firm of Sherman & Moe of Huron forwarded to appellant, a corporation transacting business at Sioux City, a check for \$800.00. The check was drawn by Sherman & Moe upon its account with the Farmers and Merchants Bank of Huron, the defendant and respondent herein. Receiving the check the plaintiff endorsed the same and delivered it to the Sioux National Bank of Sioux City for the specific purpose of collection and remittance of the item. The Sioux City bank endorsed the check and forwarded it by mail to the defendant bank at Huron for payment and remittance. After receipt of the check, the defendant bank certified the same "paid," charged the account of Sherman & Moe with \$800.00 and credited its account, for the payment of cashier's checks, with a like sum. As a part of that transaction the defendant issued and forwarded to the Sioux National Bank of Sioux City a cashier's check for \$800.00. By the time of the return or presentment of the cashier's check to the Huron bank, it had suspended operations. A few days later a reorganization of the Farmers & Merchants Bank of Huron was accomplished according to the provisions of Chap. 104, Laws 1925. Held, among other things that inasmuch as the Farmers & Merchants Bank, respondent, reorganized and reinstated as solvent, is the same corporate entity which became indebted to appellant upon the cashier's check (Farmers & Merchants Bank v. Tomlinson, 53 S. D.—, 225 N. W. 305), it follows that appellant is entitled to recover the amount of its debt and interest at the lawful rate. *Hornick, More and Porterfield vs. Farmers and Merchants Bank*. Supreme Ct. South Dakota. Decided November 8, 1929.

### STOLEN CHECK. Negotiability.

The Steel Company gave Johnson its check payable to "C. Johnson or bearer." Shortly afterwards the check was stolen from Johnson without its bearing his endorsement. Immediately thereafter he notified the proper officer of the Steel Company. The bank was accordingly notified by the Steel Company to stop payment on the check which the bank did. Later in the usual course of business this check which was stolen from Johnson was pre-

sented to Daitch by some person unknown to Daitch. The check had been endorsed by one signing as "Charlie Johnson." At this person's request, Daitch cashed the check for him, deposited the check in his bank and later was notified that payment had been stopped. He then went to the Otis Steel Company and asked that he be paid the amount of the check. The Otis Steel Company complied by notifying the bank to pay the same. Held that by ordering the bank to pay Daitch the amount of the check after it had full notice that the check had been stolen from Clarence Johnson, it deprived Clarence Johnson of an opportunity to show that Daitch did not take it in good faith or for value. It was clearly the duty of the Steel Company to withhold the payment of the check. When the Steel Company ordered payment to Daitch it did so at its own risk and without affecting whatever rights Clarence Johnson may have had in the premises. *Otis Steel Co. vs. Johnson*. Ct. of Appeals, 8th Dist. Ohio. Decided November 4, 1929.

### CHECKS. Collection. Negligence of Correspondent Bank.

Held that it is negligence on the part of a collecting bank to select for the purpose of collecting a check of its depositor, a correspondent bank which it knows will not be responsible for the trust reposed in it, regardless of whether the irresponsibility be voluntary or otherwise, and in such case the original bank will be liable to the depositor for the negligence of the correspondent bank. It is negligence in the holder of a check to send it directly to the drawee, residing in a distant place, for payment, and the holder is responsible for any loss occasioned by adopting such a course. *Peoples State Bank of Liberal vs. Kismet Equity Exchange Ass'n*. Supreme Ct. Kansas. Decided November 9, 1929.

### BANKERS' LIEN. Set-Off.

Held that a bank has no lien on securities for the payment of other claims, where the securities were pledged to it to secure the payment of a particular loan or debt. A defendant, when sued in tort for the conversion of securities pledged for the payment of a particular loan or debt, cannot use a note given for another and separate loan or debt as a set-off against any balance of the securities remaining after the payment of the particular loan or debt for the payment of which the securities were pledged. *First Nat. Bank of Ada vs. Jackson*. Supreme Ct. Oklahoma. Decided October 22, 1929.

### INSOLVENT BANK. Statutory Liability of Stockholder.

Action to enforce statutory liability of stockholder in solvent bank. Petitioner claims exemption because he had instructed cashier of bank to sell his stock before bank was insolvent; because an act as to liability was enacted after he bought his stock; and he had a deposit in bank as a depositor sufficient to cover statutory liability. Held that no sale was ever made of petitioner's stock and instructions to sell will not divest him of liability; that liability existed before he acquired his stock and the act passed subsequently merely affected procedure of enforcement; that, depositor who is also a stockholder of an insolvent banking corporation is not entitled to have his deposit set off against

his assessment. *Matter of Carolina Bank & Trust Co.* Supreme Court. North Carolina. Decided October 30, 1929.

#### NOTE. Right of Action. Usury.

This action involves the liability of the defendant John W. Lake as an endorser on a promissory note. The note was made in the state of Florida, bears interest at the rate of eight per cent., and provides in case of default that the maker will pay the cost of all collection including attorney's fees. Held that where a note is made outside of the State bearing the lawful rate of interest allowed by that state the mere fact that that rate would be usurious in another state is not a defense to an action brought in the state where that rate of interest would have been usurious. There is nothing on the face of the amended complaint from which it can be implied that the transaction or obligation sued upon is one which a New York corporation could not sustain in the courts of New York. Order denying the motion to strike out defense. *City National Bank in Miami vs. Lake Const. Co.* Supreme Ct. App. Div. 1st Dept. N. Y.

#### WASHINGTON NOTES

These notes are supplied by George C. Shinn, attorney-at-law, Wilkins Building, Washington, D. C.

#### Tax Opinions

**Voluntary Removal of Buildings.** Another opinion given by the General Counsel of the Bureau of Internal Revenue relates to losses sustained by the taxpayer by reason of the tearing down of buildings.

"The taxpayer purchased a lot and building known as the R Building and an adjoining lot and building known as the S Building. It was the purpose and intention of the taxpayer to raze the buildings on the two lots and erect a new business building. However, due to a long-term lease on the S Building, which the lessee would not sell or otherwise terminate, the taxpayer's plans had to be abandoned. The properties were thereupon set up on the taxpayer's books as rental properties, and were thus carried for a period of three years. In 1929, however, the taxpayer, having made new plans, demolished the R Building and erected an office building."

"It was held, that no deductible loss was sustained by the taxpayer by reason of the demolition of the R Building."

**Motor Vehicle Fuel Taxes.** The General Counsel of the Bureau of Internal Revenue recently gave opinions relative to the motor vehicle fuel tax imposed by the States of Illinois and New Hampshire, which may be of interest in other States as well.

The ruling, in effect, holds that the motor vehicle fuel tax imposed by these States is deductible in the income tax return of the consumer of motor vehicle fuel who pays the tax, and to whom it is not refunded.

If, however, the tax in question is added to or made a part of the business expense of such consumer, it cannot be deducted by him separately as a tax.

**Partnership Returns.** The General Counsel of the Bureau of Internal Revenue recently gave an opinion regarding the

status of capital contributed by a special partner to a partnership. In this opinion, it is held that the capital contribution of a special partner is at the risk of the business, the same as contributions of the general partners.

The money distributable to him, even though termed interest, represents a division of partnership profits, and is not deductible by the partnership as a business expense.

**Extension of Time for Payment of Tax.** Some years ago, the Commissioner of Internal Revenue gave collectors of taxes throughout the country, authority to grant extensions of time for filing income tax returns.

It has come to the attention of the Internal Revenue Bureau that in numerous instances, taxpayers, evidently relying upon the privilege of securing extension of time, have failed to make every reasonable effort to file returns, on or before the regular due date.

This practice has led to abuses, and the Commissioner of Internal Revenue recently has issued an order to collectors of taxes that they are to grant extensions of time hereafter only upon the showing of a good and sufficient cause for the delay in filing the return.

#### Prison Industries

The Bureau of Foreign and Domestic Commerce has recently issued a bulletin on the subject of the distribution of prison-made goods. As a result of complaints by groups of manufacturers, claiming that the competition of prison products was seri-

ously affecting their interests, the Department of Commerce agreed to undertake a study of the entire problem, and named a committee of penologists, manufacturers, and labor representatives to act as an advisory body.

The bulletin is a result of the study made, and gives the chief commodities produced (by States), the locations of prisons, number of persons engaged, suggestions of methods for marketing prison products, and other data and information.

Copies of the bulletin may be obtained from the Superintendent of Documents, at a price of twenty cents. It is entitled "Domestic Commerce, Series No. 27, Prison Industries."

#### Conditional Sales Contracts

The Court of Appeals of the District of Columbia recently rendered an opinion in a case arising at the instance of the General Motors Acceptance Corporation, involving the right of the holder of a conditional sales contract to recover an automobile which was seized in a liquor raid.

It appeared in the case that the Corporation had not been negligent in its investigation of the proposed purchaser, it having taken all the usual means and methods of ascertaining that the purchaser was a law-abiding citizen, and was purchasing the machine for legitimate purposes.

Under such evidence, the Court held that the holder of the conditional sales contract could recover the car from the Government after it had been seized from the owner of the car, who was arrested on a charge of transporting liquor.

## Collateral Supporting Your Accounts

The NATIONAL SURETY COMPANY is of the firm belief that business in the United States is fundamentally sound.

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National Association of Credit Men

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# APPROVED ADJUSTMENT BUREAUS

as of November 1, 1929

The services offered by each of the Bureaus listed below are indicated by symbols which appear after each listing, as follows:

A—Assignments

B—Bankruptcy Claims Representation

C—Collections

P—Personal Contact Service

R—Receiverships

T—Trusteeships

Consider our Adjustment Bureaus as a part of your Credit Department.

**CALIFORNIA—Los Angeles**—Rehabilitations and Liquidations. Wholesalers Board of Trade, 800 Board of Trade Bldg., F. C. DeLano, Mgr. For Collections, see Collection Division, Los Angeles C.M.A. (AB)

Note: Independent Organization not controlled by but wholeheartedly endorsed by the National Association of Credit Men, and the official Bureau of the Los Angeles Association of Credit Men.

**Los Angeles**—Collections and Traveling Adjuster Service. Collection Division of the Los Angeles C.M.A., 829-90 Board of Trade Bldg., Reid Fulman, Mgr. For Rehabilitations and Liquidations, see Wholesalers' Board of Trade. (CP)

**Oakland**—Adjustment Bureau of the Oakland A. C. M., 627 Central Bank Bldg., K. S. Thomson, Mgr. (ABCPRT)

**San Diego**—Wholesalers Board of Trade & Credit Association, 573 Spreckles Bldg., Carl O. Retloff, Mgr. (ABCPRT)

**San Francisco**—Rehabilitations and Liquidations. Board of Trade of San Francisco, 444 Market St., G. W. Brainard, Sec'y. For Collections, see Collection Dept., San Francisco A.C.M. (ABRT)

Note: Independent Organization not controlled by but wholeheartedly endorsed by the National Association of Credit Men, and the official Bureau of the San Francisco Association of Credit Men.

**San Francisco**—Collections and Traveling Adjuster Service. Collection Department of the San Francisco A. C. M., 500-10 Oceanic Bldg., O. H. Walker, Mgr. For Rehabilitations and Liquidations, see Board of Trade of San Francisco. (CP)

**COLORADO—Denver**—Adjustment Bureau of the Rocky Mountain A. C. M., 810 Fourteenth St., James B. McKelvy, Mgr. (ABCPRT)

**DISTRICT OF COLUMBIA—Washington**—Adjustment Bureau of the Washington A. C. M., 327 Munsey Bldg., John A. Reilly, Mgr. (ABCPRT)

**FLORIDA—Jacksonville**—Credit Association of Northern Florida, P. O. Box 4067, W. B. Oliver, Mgr. (ABCPRT)

**Miami**—Adjustment Bureau of the Southeastern Credit Assn. of Florida, 27 N.W. Miami Court, F. G. Hathaway, Mgr. (ABCPRT)

**Tampa**—Adjustment Bureau of the Tampa A. C. M., 5 Roberts Bldg., S. B. Owen, Mgr. (ABCPRT)

**GEORGIA—Atlanta**—Adjustment Bureau of the A. C. M., 305 Chamber of Commerce Bldg., H. E. Moody, Mgr. (ABCPRT)

**IDAHO—Boise**—Adjustment Bureau of the Boise A. C. M., 208-9 McCarty Bldg., H. L. Streeter, Mgr. (ABCPRT)

**ILLINOIS—Chicago**—Adjustment Bureau of the Chicago A. C. M., 1400 Midland Bldg., 176 W. Adams St., Harry W. Cline, Mgr. (ABCPRT)

**INDIANA—Evansville**—Adjustment Bureau of the Evansville A. C. M., 607 Old National Bank Bldg., C. Howard Saberton, Mgr. (ABCPRT)

**Indianapolis**—Adjustment Bureau of the Indianapolis A. C. M., 507 Peoples Bank Bldg., Merritt Fields, Mgr. (ABCPRT)

**South Bend**—Adjustment Bureau of the South Bend A. C. M., 829-30 J. M. S. Bldg., E. J. Payton, Mgr. (ABCPRT)

**IOWA—Des Moines**—Adjustment Bureau of the Tri-City Credit Men's Assn., 1901 First National Bank Bldg., H. B. Betty, Mgr. (ABPRT)

**Des Moines**—Adjustment Bureau of the Des Moines A. C. M., 812 Valley National Bank Bldg., Don E. Neiman, Mgr. (ABCPRT)

**Sioux City**—Adjustment Bureau of the Interstate A. C. M., 601 Trimble Bldg., P. A. Lucey, Mgr. (ABCPRT)

**KANSAS—Wichita**—Adjustment Bureau of the Wichita Association of Credit Men, 901 First National Bank Bldg., M. E. Garrison, Mgr. (ABCPRT)

**KENTUCKY—Lexington**—Adjustment Bureau of the Lexington Association of Credit Men, 23 Northern Bank Bldg., E. M. McGarry, Acting Mgr. (ABCPRT)

**Louisville**—Adjustment Bureau of the Louisville Association of Credit Men, 3rd Floor, Kenyon Bldg., S. J. Schneider, Mgr. (ABCPRT)

**LOUISIANA—New Orleans**—Adjustment Bureau of the New Orleans Association of Credit Men, 600 Louisiana Bldg., T. J. Bartlette, Mgr. (ABCPRT)

**MARYLAND—Baltimore**—Adjustment Bureau of the Baltimore Association of Credit Men, 301 West Redwood Street, George J. Lochner, Mgr. (ABCPRT)

**MASSACHUSETTS—Boston**—Adjustment Bureau of the Boston Credit Men's Association, 38 Chauncy St., J. M. Paul, Mgr. (ABCPRT)

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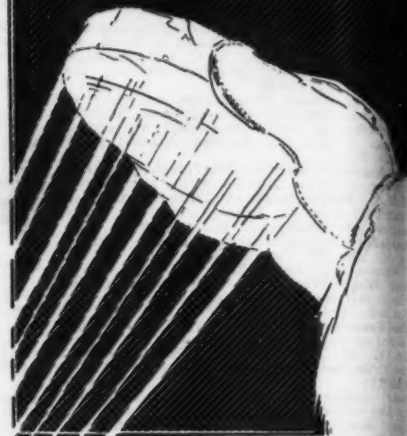
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# If You were Lost—

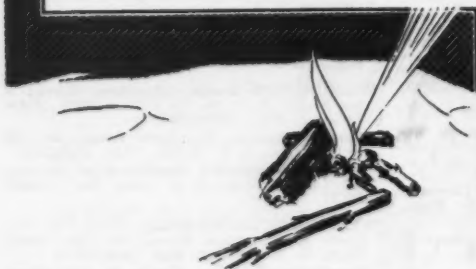
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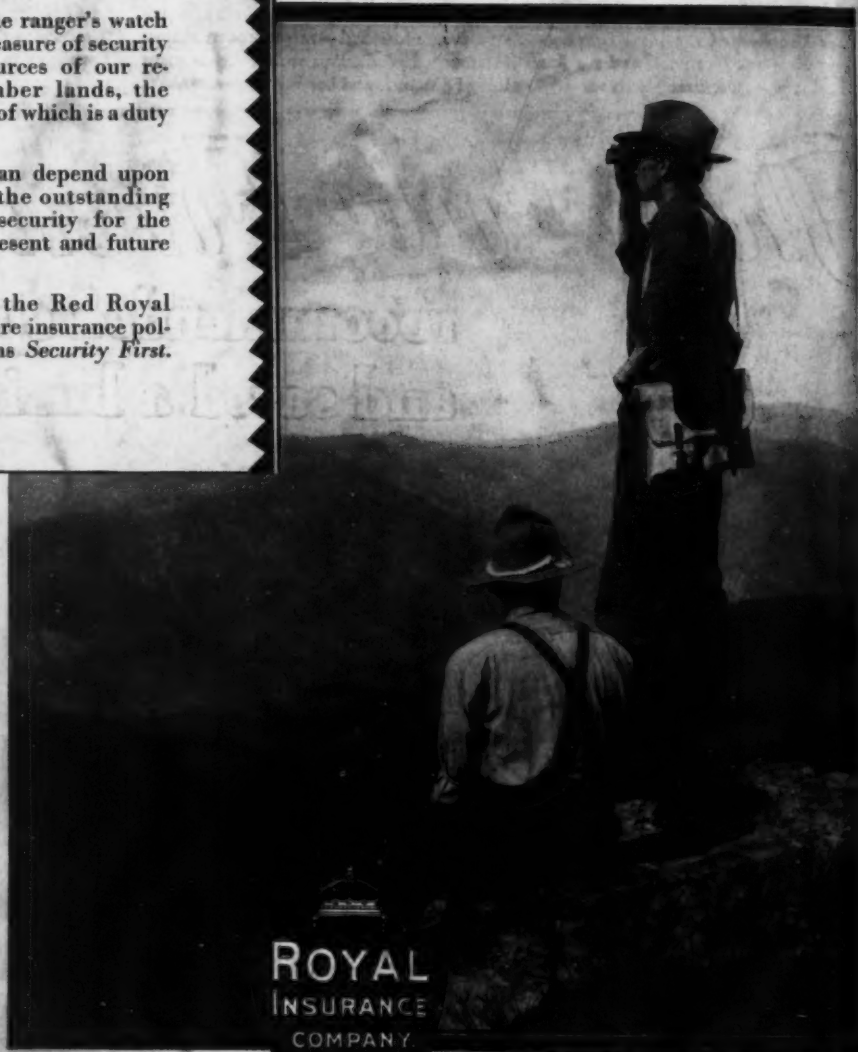


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